

**Municipal
Pension Plan**

Municipal Pension Plan 2009 Annual Report

January 1, 2009 to December 31, 2009

A Paycheque for Life!

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INVESTMENT HIGHLIGHTS

- For 2009, the Municipal Pension Plan's Basic and Inflation Accounts returned 10.8 per cent and 10.3 per cent respectively. The Plan earned total investment income of \$2.4 billion. The Plan's market value increased from \$22 billion at the end of 2008, to \$24.4 billion as at December 31, 2009.
- After a weak start to the year, global equity markets staged a major rebound starting in March 2009. The Plan's combined equities registered a gain of 21.4 per cent. By comparison, the Plan's combined fixed income returned 7.6 per cent.
- The Municipal Pension Board of Trustees adopted a new strategic asset mix which increases exposure to developing markets, real estate, infrastructure and private placements. These types of asset classes are expected to provide the Plan with increased diversification and a higher level of growth over the longer term while ensuring the necessary cash flow to pay pension benefits.
- In 2009, the Plan's investment management fees were 16 basis points or \$0.16 per \$100. bcIMC's fees continue to be significantly lower than those of other large Canadian pension plans and other investment managers.

Five-Year Financial Summary

\$ Thousands

For the year ended December 31	2009	2008	2007	2006	2005
Increase (Decrease) in Assets					
Investment income (loss)	\$2,395,704	\$(3,091,956)	\$ 1,084,547	\$ 3,126,011	\$ 2,223,665
Contributions					
Members'	568,122	513,165	496,994	460,829	412,067
Employers'	656,180	595,510	566,325	522,128	460,608
Transfers from other plans	20,204	19,051	49,502	37,623	48,501
Total Increase (Decrease) in Assets	3,640,210	(1,964,230)	2,197,368	4,146,591	3,144,841
Decrease in Assets					
Pension benefits	909,348	833,763	762,493	711,133	647,025
Termination and refund benefits	90,887	91,629	79,048	65,221	63,996
Transfers to other plans	17,515	18,837	45,130	28,273	27,383
Retired member group benefits	53,720	48,009	52,983	55,615	48,347
Investment and administration costs*	51,777	49,467	55,453	43,344	39,762
Total Decrease in Assets	1,123,247	1,041,705	995,107	903,586	826,513
Increase (Decrease) in Net Assets	2,516,963	(3,005,935)	1,202,261	3,243,005	2,318,328
Net Assets Available for Benefits at Beginning of Year	21,972,786	24,978,721	23,776,460	20,533,455	18,215,127
Net Assets Available for Benefits at End of Year	\$24,489,749	\$21,972,786	\$24,978,721	\$23,776,460	\$20,533,455
Investment and Administration Costs as a Percentage of Net Assets*					
Investment Management*	0.16%	0.19%	0.24%	0.19%	0.17%
Benefits Administration	0.10%	0.10%	0.08%	0.08%	0.09%

* External investment management costs incurred in the investment pooled funds by wholly owned corporations of \$10.3 million (2008—\$13.0 million; 2007—\$23.9 million; 2006—\$20.6 million; 2005—\$12.6 million) reduce investment income and are not included in investment and administration costs. They are included in investment management costs as a percentage of net assets.

Market Value Rates of Return

for the year ended December 31

	Basic Account (%)	Inflation Adjustment Account (%)	Basic Account Performance Benchmarks* (%)	
Annual Rates				
2009	10.8	10.3	13.3	
2008	(12.4)	(12.7)	(10.1)	
2007	4.4	4.4	2.5	
2006	15.0	15.2	12.2	
2005	12.0	12.5	10.7	
Five-Year Annualized Rates**				
2009	5.5	5.4	5.3	
2008	5.3	5.5	4.7	
Ten-Year Annualized Rates				
2009	4.9	5.1	4.8	
2008	5.2	5.6	4.9	
2009 Annual rate by investment category				
Short-term				
Money Market	0.8	0.8	0.6	DEX T-Bill 91 day
Bonds	2.0	2.0	1.9	DEX ShortTerm Government Bond Index
Bonds				
Universe Bonds***	7.3	7.3	5.4	DEX Universe Bond Index
Real return Bonds	14.4	15.8	14.5	DEX Real Return Bond Overall Index
Global Government Bonds	****	****	****	JP Morgan Government Bond Index
Canadian Equities				
Actively Managed	35.0	35.0	34.5	S&P/TSX Capped Equity
Indexed	35.0	35.0	34.5	S&P TSX Equity
Enhanced	34.4	34.4	34.5	S&P/TSX Capped Equity
Global Developed Equities				
Global Actively Managed	****	****	10.6	MSCI World Net
US Actively Managed	14.6	14.6	9.9	Russell 1000
US Indexed	8.4	8.4	8.3	S&P 500 Total Return Index
US Social Indexed	12.6	12.6	12.8	FTSE KLD Social Index
US Enhanced	8.5	8.5	8.3	S&P 500 Total Return Index
US Value	4.2	4.2	3.7	S&P/Citigroup Value Index
Japan	(12.3)	(12.3)	(9.8)	MSCI Japan Net Index
Europe	14.5	14.5	15.3	MSCI Europe Net Index
Europe, Australia and the Far East	13.2	13.2	11.9	MSCI EAFE Net Index
Emerging Markets				
Emerging Markets	****	****	51.6	MSCI Emerging Markets Net Index
Asia ex-Japan	48.9	48.9	47.1	MSCI All Country Asia Pacific ex-Japan Net Index
Domestic Real Estate	(7.9)	(7.9)	5.3	CPI + 4%
Mortgages				
Fixed-term	6.9	6.9	5.6	DEX ST Bonds + 1%
Construction	4.4	4.4	2.4	DEX 1 Year T-Bills +1%
Mezzanine	23.9	23.9	3.9	DEX 1 Year T-Bills +2.5%
Strategic Investments and Infrastructure (equity only)	49.5	49.5	8.0	Nominal 8%

* Benchmarks are standards to compare against actual investment returns.

** An annualized rate means the rate for a five- or ten-year period converted into the equivalent annual rate.

The five-year annualized rate of the Basic Account is the net earned rate of the fund.

*** Universe bonds are comprised of Corporate and Government Bonds.

**** Fund has not been invested in for a full year

Performance Benchmark Indices Abbreviations

CPI = Consumer Price Index

DEX = PC-Bonds Domestic Exchange Index

MSCI = Morgan Stanley Capital International

S&P = Standard & Poor's

S&P/TSX = Standard & Poor's/Toronto Stock Exchange Equity or Capped Equity

(Source of annual rates: British Columbia Investment Management Corporation)

TRUSTEES' MESSAGE

The Municipal Pension Board of Trustees pursues conservative investment strategies designed to produce positive returns over the long term. This approach served us well in 2009.

We stuck to our philosophy and did not overreact to 2008's intense market turmoil. When the world markets settled in 2009, the Plan earned back the majority of its losses from the previous year. The Municipal Pension Plan's market value increased from \$22 billion at the end of 2008 to \$24.4 billion as at December 31, 2009.

The Plan's Basic and Inflation Adjustment accounts had returns of 10.8 per cent and 10.3 per cent, respectively.

In 2009 the Trustees adopted a new strategic asset mix with an expanded focus on emerging markets such as Asia and Brazil. The revised asset mix also means we are increasing the Plan's investment in real estate and large infrastructure projects, which are ideally suited for a large pension plan with the capacity to invest significant amounts over the long term. Learn more about these developments in the message from bcIMC CEO and Chief Investment Officer Doug Pearce.

Beyond financial initiatives, the Board of Trustees also focuses its energies on benefit administration and communications to members.

In 2009, our Employer Eligibility Committee reviewed and the Board approved 188 new employers including 178 from the Community Social Services Employers Association that will join the Plan in 2010.

We proudly received a national communications award from Benefits Canada Magazine, acknowledging the creativity and effectiveness of the "Value of Your Plan" video series which was developed by the British Columbia Pension Corporation, our administrative agent.

We are encouraged by the many achievements of the Municipal Pension Plan in 2009. The financial status is strong, and we anticipate positive long-term fiscal returns that will serve the best interests of more than 239,000 British Columbians who are members of the Plan.



Brendan Dick
Chair,

Municipal Pension Board of Trustees

ACTUARIAL VALUATION COMING IN 2010 ANNUAL REPORT

Every three years, an independent actuary assesses the financial health of the Plan. As at December 31, 2006, the Plan had a surplus of \$438 million.

The next valuation will be as at December 31, 2009, with the results available in the fall of 2010 and reported in the *2010 Annual Report* which will be released in the summer of 2011. We anticipate that there will be a funding deficit at this valuation and that contribution rates will increase effective July 1, 2011.

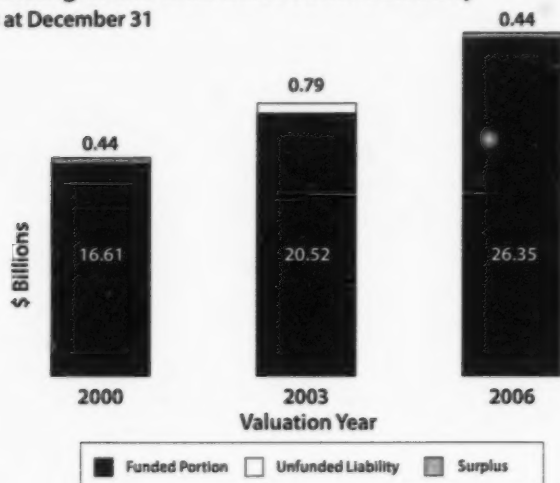
Latest Actuarial Valuation

\$ Millions

December 31	Basic Pension Benefits Net Surplus (Unfunded Liability)		
	2006	2003	2000
For Funding Purposes*	\$438	(\$789)	\$436
Ratio of Surplus (Unfunded Liability) to Covered Payroll	7%	(14%)	9%
For Accounting Purposes	\$217	(\$29)	\$847

* Assuming contributions continue at rates in effect at the valuation date. See Note 7 and Note 8 to the Financial Statements for additional explanation.

Funding of the Total Basic Benefit Liability as at December 31



bcIMC MESSAGE

As investment agent for the Municipal Pension Plan, the British Columbia Investment Management Corporation (bcIMC) plays a key role in helping ensure the long-term sustainability of the Plan. After the dismal capital markets in 2008, investment returns were strong in 2009 as the global economic recovery got underway and markets rebounded sharply. The Plan's Basic Account earned 10.8 per cent for the year. bcIMC's investment activities generated total investment income of \$2.4 billion, helping to grow the Plan's assets from \$22 billion in 2008 to \$24.4 billion as at December 31, 2009.

Despite the solid results in 2009, the Plan did not reach its market benchmark, or target return, mainly because of the negative returns from real estate. While the real estate portfolio's income levels were fairly stable and vacancy rates remained low, the economic downturn drove property valuations lower across all sectors. However, it should be recognized that real estate is a long-term investment and has been one of the best performing asset classes over a longer time horizon.

In 2009, the Municipal Pension Board of Trustees adopted a new strategic asset mix which increases the Plan's exposure to developing markets, real estate, infrastructure and private placements. These types of asset classes are expected to provide the Plan with increased diversification for risk management purposes, a higher level of growth over the longer term, as well as ensuring the necessary cash flow to pay pension benefits.

In addition to our global focus, responsible investing remains an integral part of bcIMC's investment philosophy. With the support of the Trustees, bcIMC works on behalf of the Plan to urge the companies in which we invest to adopt high standards of corporate governance and environmental and social responsibility, factors which we believe will add value to the Plan over the long-term. Plan members can learn more about bcIMC's responsible investment activities by reviewing bcIMC's website.

Another way that bcIMC adds value to the Plan is by carefully managing costs, thereby allowing a greater proportion of the investment return to be preserved for pension benefits. bcIMC operates on a cost recovery, not-for-profit basis and our large asset size creates economies of scale. As a result, bcIMC's fees continue to be significantly below those of other investment managers.

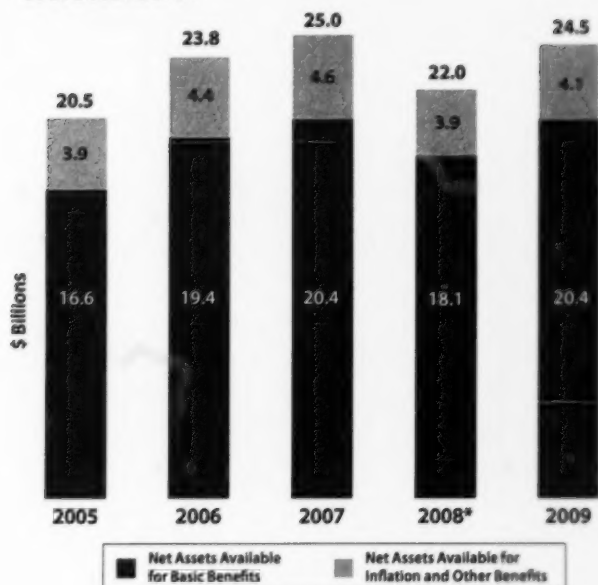
Looking forward, bcIMC is cautiously optimistic for the year ahead and expects modest investment returns. bcIMC will continue to remain focused on risk management and long-term disciplined investing in order to protect and grow the Plan's assets.

In closing, on behalf of all the staff at bcIMC, it has been a pleasure working with the Trustees, and serving the members of the Municipal Pension Plan. We look forward to working together in the future toward our common goals of sustainability of the Plan and the security of the pension promise.



Doug Pearce
Chief Executive Officer and Chief Investment Officer
British Columbia Investment Management Corporation (bcIMC)

Net Assets Available for Benefits as at December 31



* Reassessed for comparative purposes.

Basic Account Investment Asset Mix and Performance as at December 31, 2009

Asset Class	Approved Range (%)	Target Asset Mix Market Value (%)	Actual Asset Mix Market Value (%)	Rate of Return (%)	Performance Benchmark (%)
Fixed Income	22-42	32	32.4		
Short-term	0-10	2	1.4	1.1	0.6
Mortgages	0-10	5	5.2	7.5	4.9
Nominal Bonds	13-27	20	20.5	7.3	5.4
Real Return Bonds	0-10	5	5.3	14.4	14.5
Equity	58-78	68	67.6		
Canadian Equities	8-22	15	15.7	35.2	34.5
Global Equities	15-30	23	24.1	*	10.4
Emerging Markets	0-10	5	5.6	*	51.6
Real Estate	10-20	15	13.6	(7.9)	5.3
Private Placements	0-10	5	4.1	**	**
Strategic Investments and Infrastructure (SIIF)	0-10	5	4.5	**	8.0
Total Basic Asset Mix			100.0		

* U.S. and International Equity asset classes were re-configured on July 1, 2009, creating the Global Equities and Emerging Markets Equities Funds. As a result, no rate of return is available. The combined rate of return on publicly traded equities including Canadian equities was 21.4% versus a benchmark of 21.1%.

** Annual rate of return not available because these are illiquid assets.

Investments Held as at December 31, 2009

	Market Value (\$ Thousands)	Asset Mix Market Value (%)
Short-term		
Money Market	213,711	0.9
Bonds (1-5 years)	156,026	0.6
	369,737	1.5
Mortgages	1,267,421	5.2
Bonds		
Global Government	246,846	1.0
Universe	4,705,836	19.3
	4,952,682	20.3
Real Return Bonds	1,306,497	5.3
Canadian Equities		
Indexed	1,867,507	7.6
Actively Managed	1,962,947	8.1
	3,830,454	15.7
US Equities		
Indexed	1,857,981	7.6
Actively Managed	973,708	4.0
US Hedging	108,702	0.4
	2,940,391	12.0
International Equities		
Active Global	75,244	0.3
Europe	1,001,289	4.1
Europe, Australia and the & Far East	1,627,131	6.6
Japan	195,421	0.8
International Hedging	35,867	0.2
	2,934,952	12.0
Emerging Markets		
Asia Ex-Japan	474,606	2.0
Emerging Markets	880,683	3.6
	1,355,289	5.6
Real Estate	3,325,319	13.6
Private Placements	1,031,598	4.2
Strategic Investments and Infrastructure		
SIFF Public Equities	204,188	0.8
Domestic Private Placements	146,052	0.6
Foreign Private Placements	716,383	2.9
Real Estate	63,674	0.3
	1,130,297	4.6
Total Investments	24,444,637	100.0
2008 Comparison	21,971,042	

* Asset classifications vary from the financial statements for the purpose of performance reporting on Strategic Investments and Infrastructure.

Top Ten Holdings as at December 31, 2009

Total Canadian Equities

Company	Market Value (\$ Thousands)	Per cent of Total Canadian Equity
Royal Bank of Canada	\$ 251,620	6.6
Suncor Energy Incorporated	218,679	5.7
Toronto Dominion Bank	187,161	4.9
Bank of Nova Scotia	155,982	4.1
Canadian Natural Resources	129,007	3.4
Barrick Gold Corporation	127,347	3.3
Research in Motion	112,048	2.9
Canadian National Railway	105,155	2.7
Goldcorp Incorporated	98,657	2.6
Manulife Financial	97,432	2.5
Total Top 10	1,483,088	38.7
Total Canadian Equities	\$ 3,830,454	100.0

Total Global Equities

Company	Market Value (\$ Thousands)	Per cent of Total Global Equity
Exxon Mobil Corporation	\$ 75,438	1.3
Microsoft Corporation	61,473	1.1
Royal Dutch Shell	60,985	1.0
Nestle S.A.	51,950	0.9
Procter & Gamble	49,669	0.8
HSBC Holdings	48,663	0.8
JPMorgan Chase	47,914	0.8
Johnson & Johnson	47,407	0.8
Pfizer Incorporated	45,981	0.8
Wells Fargo & Company	44,992	0.8
Total Top 10	534,472	9.1
Total Global Equities	\$ 5,875,343	100.0

Total Emerging Markets Equities

Company	Market Value (\$ Thousands)	Per cent of Total Emerging Markets Equity
Samsung Electronics	\$ 35,545	2.6
Aberdeen Global	28,015	2.1
Taiwan Semiconductor	27,444	2.0
Vale S.A.	23,719	1.7
HDFC Bank	20,123	1.5
Hon Hai Precision	18,771	1.4
China Mobile	18,343	1.4
China Life Insurance	16,310	1.2
PetroChina Company	15,706	1.2
Housing Development Finance	15,392	1.1
Total Top 10	219,368	16.2
Total Emerging Markets Equities	\$ 1,355,289	100.0

BC PENSION CORPORATION MESSAGE

The British Columbia Pension Corporation is among Canada's top pension administrators, annually collecting more than \$2.48 billion in contributions and paying \$2.58 billion in benefits. As the Municipal Pension Board of Trustees' administrative agent, the BC Pension Corporation is dedicated to meeting the needs of the Municipal Pension Board of Trustees. We are committed to providing exceptional service to active and inactive members, retired members and MPP employers.

Highlights from a busy and successful 2009 include the following:

- We delivered 261 province-wide member information seminars to almost 7,000 people, including more than 600 Community Social Services employees who learned about the benefits of joining the Municipal Pension Plan.
- We held 31 employer workshops which were attended by more than 500 individuals. We continued to enhance our employer education by introducing eLearning, a more convenient and timely way for pension administration staff to learn what they need to know.
- We conducted focus groups with active and retired members to determine how to improve communications products.
- We launched a redesigned MPP website. It features convenient member-specific navigation and a new video called "Ready to Serve."
- We answered more than 75,000 telephone calls from MPP members. On average, calls were answered within 11 seconds.

We expanded the distribution of more than 150,000 annual member benefit statements to include limited members (former spouses of plan members who are entitled to part of a pension).

These quality initiatives and our high service levels contribute to the success of the Municipal Pension Plan. I am proud that we continue to benchmark favourably against Canadian and international peers in terms of cost and service levels.

It has been our pleasure to serve the Municipal Pension Board of Trustees in 2009 and we look forward to continue working together to deliver outstanding products and services to all MPP members, employers, unions and associations.



Laura Nashman
Chief Executive Officer
British Columbia Pension Corporation

WHO WE ARE

Administration

The Municipal Pension Board of Trustees is responsible for governance of the Pension Plan and providing direction to the plan's administrative agent (BC Pension Corporation) and the plan's investment agent (bcIMC).

The Board also receives external legal, audit and actuarial support.

The British Columbia Pension Corporation is among Canada's top pension administrators, annually collecting more than \$2.48 billion in contributions and paying \$2.58 billion in benefits. The corporation provides plan information to members and employers, manages contributions and member records, pays pension benefits and provides policy, financial and communication services to the Trustees.

The British Columbia Investment Management Corporation (bcIMC) is one of Canada's largest investment managers and administers more than \$79 billion across all major asset classes, with global exposure.

Eckler Ltd. serves as the plan actuary for the Municipal Pension Plan. The actuary conducts an actuarial valuation on the Plan's funding every three years. The next valuation will be presented to the Board in the fall of 2010.

PriceWaterhouseCoopers LLP provides external audit services for the MPP.

Davis LLP is the legal counsel for the MPP.

Governance

The Municipal Pension Board of Trustees oversees the administration of the Plan, establishes the Plan's investment policy and monitors investment performance.

The Trustees are responsible for ensuring there is an actuarial valuation at least every three years, that there is an annual financial audit, and for reporting on the Plan's actuarial, financial and operational status to the Plan Partners, members and employers.

The Board is the final level of appeal for members and others who dispute the way in which the plan's administrative agent has administered the Plan Rules. The Board schedules at least three meetings per year, with additional meetings arranged when issues arise that require immediate Board attention. Highlights from all Board meetings are posted on the Plan web site.

Plan rule changes

Plan rule changes in 2009

Plan Rule changes implemented by the Board in 2009 provided clarifications or confirmation of existing processes.

Cost-of-living Benefits

Amendment #25—Effective March 25, 2009

This change to the Plan Rules clarifies that responsibility for granting annual cost-of-living adjustments lies with the Board of Trustees as opposed to the Plan's administrative agent, the BC Pension Corporation.

Provisions for leaves of absence

Amendment #26—Effective November 18, 2009

This rule change provides clarity to the Plan Rules by ensuring employers are aware of what forms of leave are covered by the Employment Standards Act (ESA).

Delegation of Discretionary authority

Amendment #27—Effective November 18, 2009

This change clarifies that discretionary authority to grant disability benefits and retroactive entitlement to benefits lies with the Board of Trustees.

Trustees

The Municipal Pension Board of Trustees is appointed by the Plan Employer Partners (the Province of British Columbia and the Union of British Columbia Municipalities) and the Plan Member Partner (the Municipal Employees' Pension Committee) as well as by other appointing authorities. This joint governance by members and employers is called joint trusteeship. More information on joint trusteeship can be found at the Plan's website.

Brendan Dick, Chair

Brendan Dick is the director of membership services on the staff of the Hospital Employees' Union (HEU), which appointed him to the Board of Trustees in 2003. He has sat on the Interplan Audit Committee for more than ten years. He has served as one of the Canadian Blood Services Defined Benefit Trustees since 2005 and is a past-president of the Hospital Employees' Staff Union.

Brendan has completed the Advanced Trustee Management Standards course parts 1 to 3 and the Responsible Trustee Program through the Sauder School of Business. Brendan has also served as the Board vice-chair.

Richard Taylor, Vice Chair

Richard Taylor is a founding Trustee of the Board and was appointed by the Union of British Columbia Municipalities (UBCM) in 2001. He came to the Board of Trustees through his position as executive director of UBCM from 1985 to 2007.

He has been directly involved in pension matters since 1988, including the original UBCM advisory committee, the 1990s Superannuation Commission advisory committee and as UBCM's representative during the Joint Trust Agreement negotiation. He is also a director and past chair of both Pacific Blue Cross and the BC Pension Corporation Board.

Richard holds a Master of Science in community and regional planning. He has held public service roles at the local government level for over 30 years.

Ken Bayne

Ken Bayne worked in the finance group at the City of Vancouver for the last 24 years, and has recently been appointed general manager, Business Planning and Services. Ken has been active in the Government Finance Officers Association of BC, including participation as a member of the organization's pension committee.

Ken was appointed to the Board of Trustees in 2001 by the provincial government and the Union of British Columbia Municipalities and holds a position reserved for non-union members of the Municipal Pension Plan. Since 2003, Ken has served three terms as chair and two as vice-chair of the Board.

He holds a Bachelor of Arts (Political Science) and a Master of Science (Business Administration) from the University of British Columbia.

Dennis Blatchford

Dennis Blatchford is the pension and benefits advocate for the Health Sciences Association of BC (HSA). Before joining the HSA, Dennis was a director for the BC Federation of Labour, working in the areas of health labour relations, human rights and disability advocacy.

The HSA appointed him to the Board of Trustees in 2001. Dennis also served as one of the Canadian Blood Services Defined Benefit Trustees between 1998 and 2004.

Lucas Corwin

Lucas Corwin is currently an Executive Director with the Public Sector Employers Council Secretariat and has held a number of senior roles within the Provincial Government.

Prior to joining the Province in 2002, Lucas practiced law at Fasken Martineau DuMoulin in Vancouver where he first became involved in pension issues as a labour and employment lawyer.

On joining the provincial government Lucas was appointed to the Teachers' Pension Board of Trustees, moving to the Municipal Pension Board of Trustees in the Fall of 2008.

Hugh Finlayson

Hugh Finlayson is the chief executive officer of the BC Public School Employers' Association, and was appointed to the Board of Trustees in 2006. He is a member of the Community Social Services Employers' Association board of directors, and led a series of governance and service development initiatives in the post-secondary and social services sectors.

Hugh is a Certified Canadian Human Resources Professional and teaches labour relations and related human resource management courses at the post-secondary level.

Harold Heyming

Harold Heyming served as the vice-chair of the Interior Savings Credit Union, a trustee of the BC Central Pension and Benefit Trust, vice-president and secretary-treasurer of the BC Professional Fire Fighters Association, and secretary-treasurer of the BC Professional Fire Fighters' Burn Fund.

Harold was appointed to the Board of Trustees in 2003 by the BC Professional Fire Fighters Association and the BC Federation of Police Officers. He is a 32-year veteran platoon captain for the Kelowna Fire Department.

Robert Hobson

Robert Hobson has been a director of the Union of British Columbia Municipalities (UBCM) for 13 years, a member of Kelowna City Council for 19 years, chair of the Regional District of Central Okanagan board for 14 years, and has sat on various boards, including the Municipal Finance Authority, the Regional Transportation Advisory Committee, the Central Okanagan Regional Hospital District, and the BC Healthy Communities Coalition.

Robert is a professional planner and administrator who was appointed to the Board of Trustees in 2006 by UBCM. He holds a Master of Arts in Community and Regional Planning and a Master in Public Administration.

Gary Johnson

Gary Johnson was appointed to the Board of Trustees in 2001 by the Municipal Employees Pension Committee. He retired in 2009 from his position as a national representative for the Canadian Union of Public Employees (CUPE).

Gary has also served as chair and vice-chair of the CUPE Employees Pension Plan and as a trustee on the Public Education Benefits Trust. He has extensive training in pension administration. Gary is chair of the BC Pension Corporation Board.

Lyn Kocher

Lyn Kocher is the director of finance and administration for the Health Employers Association of BC (HEABC), and was appointed by the HEABC to the Board of Trustees in 2001. She is also a certified general accountant. Lyn has taken the Advanced Trustee Management Standards training, and has sat on the Interplan Audit Committee for four years.

Frank Leonard

Frank Leonard is currently chair of the Municipal Finance Authority, on the board of the Federation of Canadian Municipalities, and has also served as president of the Union of British Columbia Municipalities (UBCM). He has been the mayor of Saanich since 1996 and chairs the Saanich Police Board, serves on the Regional Transit Commission, and has chaired the Capital Regional District Board, the Hospital Board, and the Housing Corporation Board.

Frank was appointed to the Board of Trustees in 2002 by UBCM, and is on the board of directors for the BC Investment Management Corporation. Frank has a Bachelor of Arts (Honours) and a Master of Arts from the University of Victoria.

Louise Mercer

Louise Mercer served on the Municipal Pension Advisory Board and helped negotiate the Joint Trust Agreement. She has completed courses in pension administration offered by the Sauder School of Business, the Humber College Trustee Development Program, and the International Foundation Canadian Investment Institute, as well as the Advanced Trustee Management Standards course part 1.

Louise retired in 2002 from her position as director, corporate affairs, for the Public Sector Employers' Council Secretariat. She was appointed to the Board of Trustees in 2001 by the provincial government, and holds a Public Sector Management diploma from the University of Victoria.

Brian Northam

Brian Northam has served on the executive of the Greater Vancouver Regional District Employees Union for more than 15 years. He was appointed to the Board of Trustees in 2001 by the Council of Joint Unions and Organizations, previously served on the Municipal Pension Advisory Board and helped negotiate the Joint Trust Agreement.

Brian has completed trustee education courses through Humber College, the Sauder School of Business and the International Foundation Canadian Investment Institute. He is also a member of the Association of Canadian Pension Management, and works as an electrician with the Metro Vancouver Utilities Division.

Steven Polak

Steven Polak has been a member of the Municipal Pension Advisory Committee since 1980, and helped negotiate the Joint Trust Agreement. He was one of the founding members of the Municipal Pension Retirees' Association, of which he is also president.

He formerly served as a Trustee appointed by the Hospital Employees Union (HEU) before his retirement in 2002, and now by the Municipal Employees Pension Committee in a position reserved for retired members. Steven also chaired the MEPC from 1982 until 2002, and served as a director and provincial executive of the HEU. He was also one of the founding directors of the BC Pension Corporation, and has done extensive pension administration and Trustee training.

Patti Price

Patti Price was appointed to the Board of Trustees in 2006 by the Canadian Union of Public Employees, British Columbia (CUPE BC). Patti was a member of the CUPE BC Pensions Committee before joining the Board. She is a human resources/benefits clerk with the Delta Board of Education, and is responsible for administering about 900 CUPE support staff workers in her school district.

Mary Procter

Mary Procter is the Vice-President of Finance & Corporate Affairs at Providence Health Care and brings over 20 years of health care experience to her role as Trustee. Mary has a Bachelor of Commerce degree and is a Certified Management Accountant. She was appointed to the Board in October of 2009 by the Health Employers Association of BC and is committed to ensuring the long-term sustainability of the Plan.

Sharon Saunders

Sharon Saunders is a past chair of the Board of Trustees, was on the negotiating team for the Joint Trust Agreement, and was a member of the Municipal Pension Advisory Board prior to joint trusteeship of the Plan. She was appointed to the Board in 2001 by the British Columbia Nurses Union (BCNU), and currently works as the Early Intervention Program administrator.

She is the staff resource on pensions for BCNU members and supports the BCNU Pension Committee.

Alternate Trustees

Donisa Bernardo

Donisa Bernardo works as the financial secretary for the Hospital Employees Union (HEU). The Municipal Employees Pension Committee appointed her to the Board of Trustees in 2001. Donisa has worked as a pharmacy technician at Royal Inland Hospital since 1984, and has been involved with the HEU since 1989.

Jessica Bowering

Jessica Bowering has worked as legal counsel for the Health Sciences Association of British Columbia (HSABC) since 2007. Prior to joining HSABC, she worked in private practice offering both public and private sector pension advice since 2004. She was appointed to the Board in 2008 as an alternate Trustee representing HSABC.

Jessica holds an LLB from Dalhousie University, and has served on governance boards for various non-profits through her career.

Elaine Doyle

Elaine Doyle is a lawyer serving as a senior advocacy consultant with the Health Employers Association of British Columbia. She was appointed to the board in December 2008. Elaine has many years' experience representing employers and employees in labour relations matters, and was the executive director of the Government Caucus from 1991 to 1996. She is also a member of the Law Society of BC.

Pat Doyle

Pat Doyle was the chief human resources officer for the Interior Health Authority until his retirement in the spring of 2009. He was appointed to the Board of Trustees in 2004 by the Health Employers Association of British Columbia.

Pat has 30 years experience in human resources in both the private and public sectors. In addition, Pat is currently board chair for the Kelowna Community Food Bank, and was an original board member of the Occupational Health & Safety Agency for Healthcare in BC, and former board member for the Kelowna Chamber of Commerce. Pat holds a Master of Science, Career and Human Resource Development degree and is a member of the Institute of Corporate Directors.

Keith Ewart

Keith Ewart, a chartered accountant for 30 years, formerly worked as the chief financial officer and director of financial services for the Healthcare Benefit Trust. The trust is responsible for the safe custody and investment of trust assets exceeding \$600 million and administration of annual cash flows of \$300 million.

Keith was appointed to the Board of Trustees in 2005 by the provincial government and the Union of British Columbia Municipalities, and holds a position reserved for non-union members of the Municipal Pension Plan. He has completed the Independent Corporate Directors diploma program.

Stan Hambley

Stan Hambley worked as a licensed practical nurse in Victoria before serving for eight years as the secretary-treasurer of his Hospital Employees Union (HEU) local, and then becoming a fulltime representative for the HEU. He has assisted union members with WorkSafeBC appeals, long-term disability appeals, and represented members in front of various arbitration boards.

Stan was appointed to the Board of Trustees in 2008 by the Council of Joint Unions and Organizations.

Terry Killough

Terry Killough worked in financial, business, and human resources management in the public school system for 32 years, and retired as Secretary-Treasurer of the Okanagan Similkameen School District in 2007. He was appointed to the Municipal Pension Board by the BC Public School Employers' Association in 2001. Terry holds a Bachelor of Science in Mathematics and is a retired Certified General Accountant.

Kelly Knox

Kelly Knox is the senior trustee-elect for the Hospital Employees' Union (HEU), and is currently working as a catheterization laboratory aide. Kelly was first appointed to the Board of Trustees by the HEU in 2003.

Fran Macdonnell

Fran Macdonnell has been a Trustee since 2001, and served on the Municipal Pension Advisory Committee that helped negotiate the Joint Trust Agreement. Fran was appointed originally by the BC Nurses Union (BCNU), and now by the Municipal Employees' Pension Committee in a position reserved for retired members. She was a registered nurse working in the obstetrical unit in Kelowna until she retired in 2004.

Fran has also served as a council member on the board of directors for the BCNU, and as regional chair for the Okanagan Similkameen region of the BCNU.

Len Rose

Len Rose is the executive officer of the British Columbia Nurses Union (BCNU), and chairs the BCNU Pension Committee. He was appointed to the Board of Trustees in 2008 by the BCNU. Len has a diploma in nursing, has served as a board member of the Occupational Health and Safety Agency in Healthcare, and has training in pensions, health and safety and emergency nursing.

Angie Sorrell

Angie Sorrell is the Executive Director, Pensions for the Public Sector Employers' Council Secretariat, involved with the four public sector pension plans, and is also an official for the province in the Canada Pension Plan Committee of Officials.

In her previous position with the Performance Budgeting Office of Treasury Board Staff for the Ministry of Finance, she was a Senior Advisor to the Provincial Treasury Board.

Angie holds a Master's degree in Public Administration and has completed the Advanced Trustee Management Standards Certification. Her training and work has revolved around budget, fiscal and economic analysis, and is now focused on pension issues.

Angie was appointed to the Board of Trustees in February 2008 by the provincial government.

Todd Sweet

Todd Sweet has served on the executive board of the New Westminster Police Officers' Association for 10 years, including two as treasurer and six as president. Todd has also served for four years as a trustee with the BC Federation of Police Officers.

In those capacities, Todd has been involved in collective bargaining, grievances and lobbying the federal and provincial governments for changes to legislation and public safety issues. He has been a police officer for 18 years. Todd was appointed to the Board of Trustees in 2005 by the BC Federation of Police Officers.

Sheila Taylor

Sheila Taylor is the Assistant Deputy Minister of the Medical Services Division for the Ministry of Health Services. As an alternate trustee appointed by the Province of BC in April of 2009, Sheila brings to the board over 20 years of experience in public sector financial management.

She has been an active member of both the Province of BC's Senior Financial Officers Council and Executive Financial Officers' Committee. Prior to her current appointment with the Ministry of Health Services, Sheila was the Executive Financial Officer for both the Ministry of Transportation and the British Columbia Transportation Financing Authority.

Colleen Wiens

Colleen Wiens is an accounts payable clerk with School District 67 (Okanagan Skaha), and was appointed to the board January 2009 by the Canadian Union of Public Employees. Colleen has worked with the school district for more than 20 years, holds a business administration diploma with an accounting option and has completed the Canadian Payroll Association Manager course.

Board Committees

The Municipal Pension Board of Trustees has several committees that make recommendations to the Board on a wide variety of issues affecting the Plan.

Appeals Panel

The Appeals Panel was established in accordance with the Joint Trust Agreement and has full jurisdiction to consider and decide all appeals. Its role is to determine whether the plan's administrative agent applied the Plan Rules correctly; the Panel does not have the authority to change the Plan Rules. In 2009, the Panel met twice. Decisions issued by the Panel are posted on the website.

Benefits

This committee reviews the Plan Rules and makes recommendations for changes as required. It monitors and reports to the Board on projected non-guaranteed post-retirement group benefits costs and makes recommendations annually for extended health and dental premium rates and subsidies. The committee also reviews the Post-retirement Group Benefit Rules and makes recommendations for changes to plan design, coverage levels and cost structure as required. This committee met four times in 2009.

Highlights in 2009 included recommending Board approval of:

- Coverage of independent dental hygienists under the dental plan for retirees and of speech processor and headset expenses related to cochlear implants.
- Retiree Extended Health and Dental premium rates effective February 1, 2010.
- Implementation and administrative measures related to the introduction of Group 5, effective January 1, 2010. Group 5 is the group of members comprised of police officers and firefighters who meet the conditions of eligibility specified by the Board.
- Restatement of the Salary Policy.
- Providing commuted value estimates proactively to terminated members.

Communications & Education

The Board is committed to providing excellent communications to stakeholders, employers and plan members. This committee supports that commitment by providing communications policy and strategy. It also coordinates Trustee orientation, education and learning initiatives. The committee coordinates plans for the Annual General Meeting, reviews Plan communications materials and has delegated authority from the Board to approve some communications materials. This committee met six times in 2009.

Highlights in 2009 included:

- Introduction of an online version of the Annual Report.
- Coordinating the Annual General Meeting, held in Kelowna in October 2009.
- Final approval of Report to Members, After Work and the Annual Report.

Employer Eligibility

This committee reviews and makes recommendations to the Board about the criteria for employer eligibility to join the Plan. When an employer wants to join the MPP, this committee reviews the application to make sure the employer meets the eligibility criteria for the Plan. The committee met four times in 2009 and recommended approval of 188 employer applications, including 178 applications from employers in the Community Social Services sector.

Governance

This committee ensures the Board has up-to-date governance policies and procedures, including confidentiality, conflict of interest, Trustee performance and self-assessment, risk management and strategic planning. It also monitors contracts and service agreements with major service providers and coordinates nominations for Chair, Vice-chair, the Appeals Panel and all Board committees. The committee met four times in 2009.

Highlights in 2009 included:

- Coordinating the Board's performance review of service providers and the Board's self-assessment.
- Recommending appointments of trustees to the Board's committees for a two-year period commencing July 1, 2009.
- Coordinating the Board's annual meeting with Plan Partners and appointing authorities, held in October 2009.
- Coordinating the Board's response to the report of the Joint Expert Panel on Pensions.

Investment

This committee reviews and makes recommendations to the Board about its Statement of Investment Policies and Procedures (SIPP), which sets the overall direction for the Plan's investments. It also coordinates periodic asset allocation studies and makes recommendations on investments. The committee met four times in 2009.

Highlights in 2009 included recommending Board approval of:

- Starting Participation in the following bcIMC funds: Active Global Equity Fund, Global Government Bond Fund, Active Emerging Markets Equity Fund, Active Canadian Small Cap Equity Fund and Active U.S. Small Cap Equity Fund.
- Changes to the Statement of Investment Policies & Procedures, which is posted on the plan web site.
- Correspondence to the Federal Finance Minister advocating for the establishment of a single Canadian securities regulator.

Valuation

This committee develops, reviews and recommends revisions to the Municipal Pension Board of Trustees' Funding Policy. The committee works with the Plan actuary to coordinate setting assumptions for actuarial valuations, reviews the valuation results and determines changes to contribution rates, if required. Actuarial valuation is one of the key components for ensuring the financial health of the Plan. The committee met three times in 2009.

Highlights in 2009 included recommending Board approval of:

- Revised Commuted Value Methodology, reflecting changes prescribed by the Canadian Institute of Actuaries.
- Three-year service agreement with Eckler Ltd., effective January 1, 2009, to provide actuarial services to the Plan.
- Deliverable dates for the Triennial Actuarial Valuation as at December 31, 2009.
- Changes to the Funding Policy, which is posted on the Plan web site.

Interplan Audit

The Municipal Pension Board of Trustees participates in the Interplan Audit Committee. The mandate of the Interplan Audit Committee is to act on behalf of, and to provide assistance to, the boards for:

- a timely and cost-effective system of accounting and reporting;
- financial statements conforming with generally accepted accounting principles;

- an independent audit of the financial statements; and
- an annual report with audited financial statements.

The committee accomplishes its mandate to provide financial oversight by:

- monitoring and reporting to the boards on the integrity of reporting, internal controls and compliance;
- monitoring and reporting on the independence and performance of the auditors;
- monitoring and reporting on risk management as it affects financial reporting;
- recommending the selection and compensation of external auditors; and
- addressing any matter referred to the committee by one or more of the four boards.

Membership in the committee includes two nominees from each of the boards of the College, Municipal, Public Service and Teachers' pension plans. All nominees must be ratified by all the boards. The committee must include at least two Trustees who understand generally accepted accounting principles (GAAP), internal controls and audit committee functions. The committee must meet at least three times a year. In addition to its role of financial oversight through monitoring and reporting, the committee also evaluates its own performance annually through an established procedure.

Other Interplan Committees

The Board also participates in the Interplan Benefits, Trustee Education and Investment Committees.

Trustee Remuneration and Attendance

2009 Trustee Remuneration and Attendance

Name	Attendance	Number of Meeting Days Attended/Possible*	\$ Total Remuneration**	Remuneration paid to	\$
Brendan Dick, Chair	89%	25/28	17,625.00	Brendan Dick Hospital Employees' Union	3,523.00*** 14,102.00
Richard Taylor, Vice Chair	95%	17/18	14,677.75	Richard Taylor	14,677.75***
Ken Bayne	50%	6/12	1,284.00	City of Vancouver	1,284.00
Donisa Bernardo	91%	10/11	4,173.00	Hospital Employees' Union	4,173.00
Dennis Blatchford	93%	13/14	3,531.00	Health Sciences Association of BC	3,531.00
Jessica Bowering	82%	9/11	5,055.75	Health Sciences Association of BC	5,055.75
Lucas Corwin	86%	12/14	6,259.50	Public Sector Employers' Council Secretariat	6,259.50
Elaine Doyle	64%	7/11	3,049.50	Elaine Doyle Health Employers Association of BC	180.50 2,869.00
Pat Doyle	86%	19/22	12,480.50	Pat Doyle	12,480.50
Keith Ewart	82%	14/17	6,077.00	Keith Ewart	6,077.00
Hugh Finlayson	50%	10/20	2,407.50	Hugh Finlayson	2,407.50
Stan Hambley	100%	11/11	4,975.50	Stan Hambley Communications, Energy and Paperworkers Union of Canada Local 469	642.00 4,333.50
Harold Heyming	94%	17/18	9,126.50	BC Professional Fire Fighters Association	9,126.50
Robert Hobson	100%	16/16	6,697.00	Robert Hobson	6,697.00
Gary Johnson	100%	17/17	11,625.25	Gary Johnson Canadian Union of Public Employees, BC Regional	7,944.75 3,680.50
Terry Killough	100%	16/16	11,517.50	Terry Killough	11,517.50
Kelly Knox	69%	9/13	5,296.50	Hospital Employees' Union	5,296.50
Lyn Kocher	71%	12/17	2,728.50	Health Employers Association of BC	2,728.50
Frank Leonard	85%	17/20	6,420.00	Frank Leonard	6,420.00
Fran Macdonnell	100%	17/17	8,232.75	Fran Macdonnell	8,232.75
Louise Mercer	87%	20/23	9,372.75	Louise Mercer	9,372.75
Brian Northam	100%	20/20	14,262.50	Brian Northam	14,262.50
Steven Polak	100%	19/19	9,923.50	Steven Polak	9,923.50
Patti Price	81%	13/16	6,580.50	Patti Price Canadian Union of Public Employees, BC Division	1,926.00 4,654.50
Mary Procter	75%	3/4	1,605.00	Providence Health Care	1,605.00
Appointed October 7, 2009					
Len Rose	60%	9/15	2,086.50	BC Nurses' Union	2,086.50
Sharon Saunders	94%	15/16	6,821.25	BC Nurses' Union	6,821.25
Angie Sorrell	100%	15/15	6,730.00	Public Sector Employers' Council Secretariat	6,730.00
Todd Sweet	100%	18/18	8,667.00	Todd Sweet	8,667.00
Sheila Taylor	91%	10/11	2,889.00	Minister of Finance (BC Government)	2,889.00
Appointed April 28, 2009					
Brad Underwood	100%	1/1	470.50	Public Sector Employers' Council Secretariat	470.50
Resigned February 5, 2009					
Colleen Wiens	100%	10/10	7,062.00	Colleen Wiens Canadian Union of Public Employees, BC	2,889.00 4,173.00

Average attendance: 87%

The Board's Committee Membership & Appointments Policy permits the Board Chair and Vice Chair to attend the meetings of all committees. The Board Chair attended three additional meetings. The Vice Chair attended 10 additional meetings. These additional meetings are not included in the listing above.

* The first figure in this column is the number of meeting days (some meetings carry over multiple days) the Trustee attended. The second figure is the number of meeting days scheduled by the Board and by the Committees of which the Trustee is a member and could have attended.

** Includes attendance at trustee education events, preparation time for Board and Committee meetings, and travel time to and from meetings.

*** Includes Board Chair and Vice Chair annual stipend of \$3,202.00.

MEMBERSHIP

The Municipal Pension Plan had 162,869 active members who work for 674 employers as of December 31, 2009. The total member base is 252,915.

There are three types of members in the Municipal Pension Plan:

Active—those who are currently contributing, are on a leave of absence or are receiving benefits from an approved long-term disability plan. Active membership increased by 5,475 or 3.5 per cent from 2008.

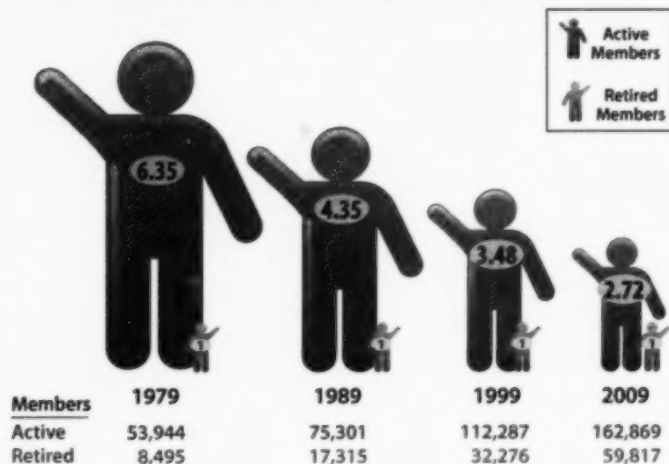
Inactive—those who have terminated their employment but have left contributions deposited in the Plan. They may or may not be eligible for a pension in the future. There are 30,229 inactive plan members, a 5.8 per cent increase from 2008.

Retired—those who are receiving a pension, including a survivor or disability pension. There are 59,817 retired plan members. The number of retired plan members grew by 2,848 or 5 per cent from 2008.

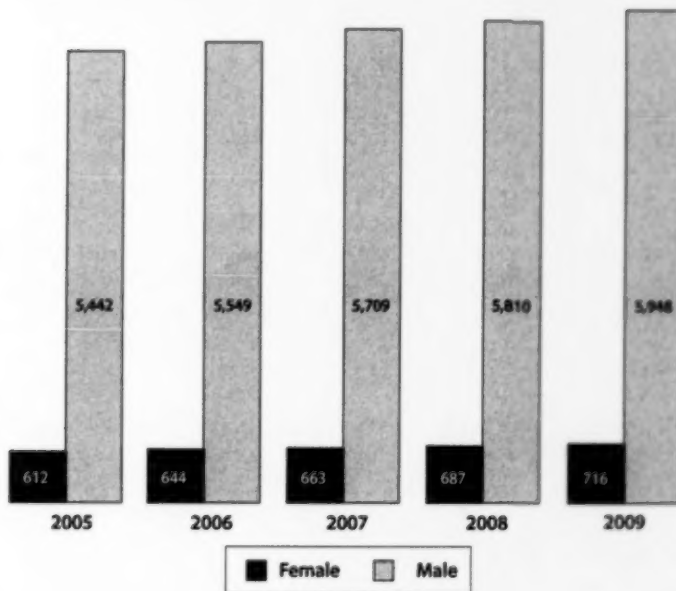
The number of retired members is expected to grow as baby boomers reach retirement age. This changing ratio places more pressure on the Plan as there are fewer active members contributing to the Plan and more retired members drawing pensions out of the Plan.

The actuarial valuation considers these changing demographics as part of determining the overall funded status of the Plan. The actuarial valuation also looks at age and gender, and other demographic factors that affect the projected cost of pensions.

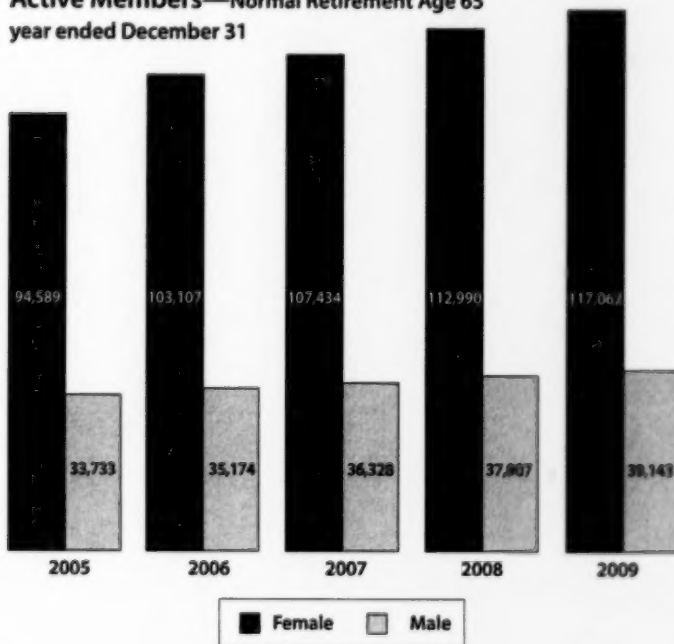
Ratio of Active Members to Retired Members



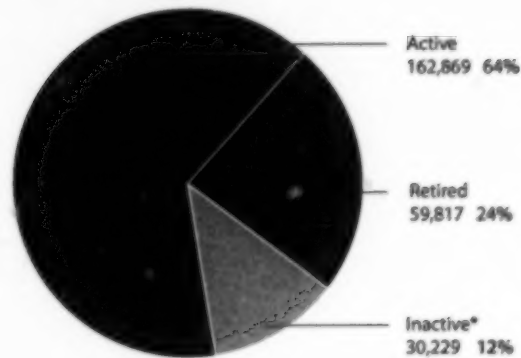
Active Members—Normal Retirement Age 60
year ended December 31



Active Members—Normal Retirement Age 65
year ended December 31

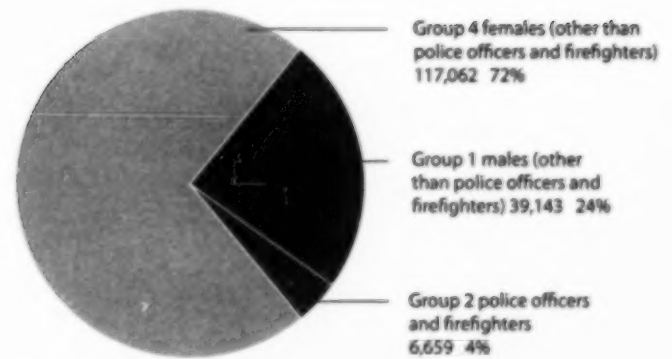


Membership Profile



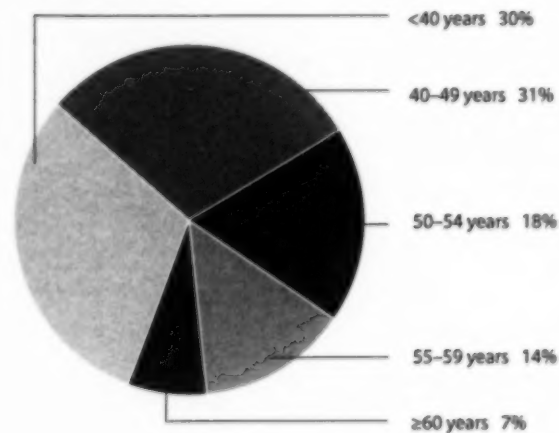
* Members no longer employed, but with money in the plan.

Active Members by Group as at December 31

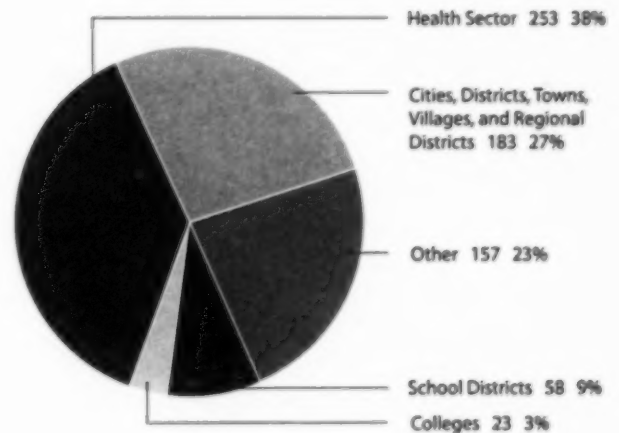


Note: There are also five Group 3 females in a special closed group.

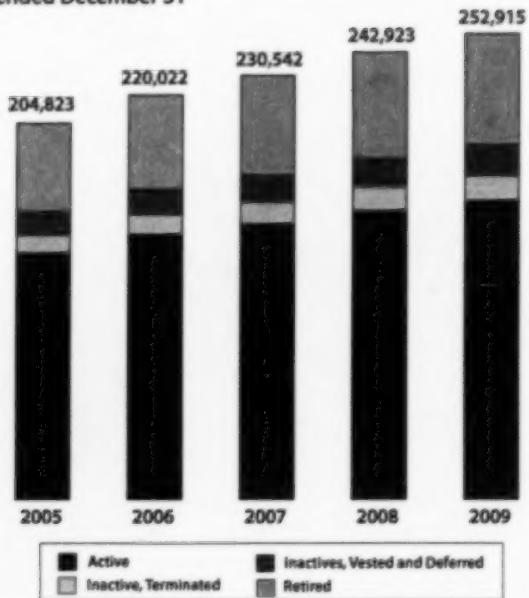
Age Profile of Active Members as at December 31



Municipal Pension Plan Employers



Number of Members
year ended December 31



CONTRIBUTIONS

Plan members and employers both pay contributions to fund future pension benefits.

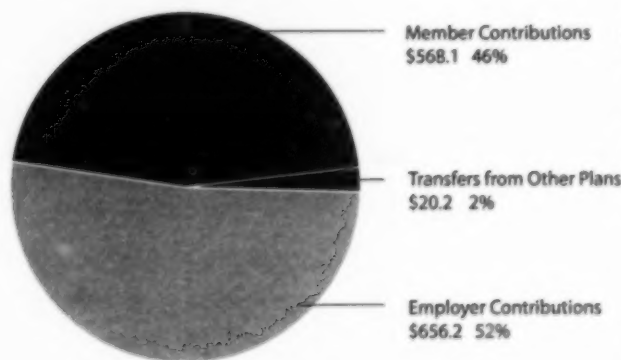
Members contribute 6.99 per cent of salary up to and including the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) (\$46,300 in 2009), and 8.49 per cent of salary above that amount. Once a member terminates employment, retires or accrues 35 years of pensionable service, they no longer make contributions to the Plan.

Contribution rates are set by the Board, based on a triennial valuation conducted by the Plan's actuary. This ensures there is always enough money in the pension fund to pay all members' basic pensions for many years into the future.

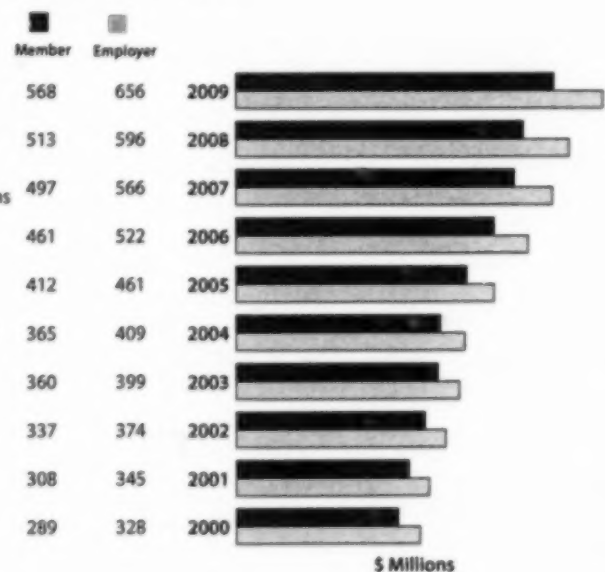
Employers are annually assigned one or more employer contribution rates based on the group rate classification and the demographics of their respective employee populations. An individual employer's blended rate can increase or decrease from year to year, depending on their employees' ages, genders and salaries.

If an increase is required, the Joint Trust Agreement requires that all contribution rate increases be split equally between members and employers. This means that if contribution rates are required to increase by one per cent of salary, the rates will increase by 0.5 per cent of salary for plan members and 0.5 per cent of salary for plan employers.

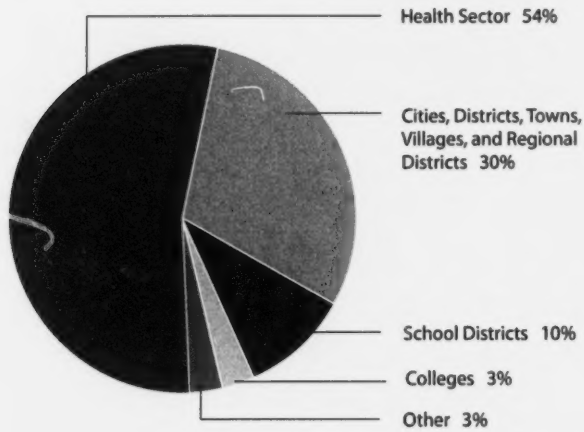
Contributions
\$ Millions



Contributions
year ended December 31



Total Regular Contributions by Employer Sector



Average Employer Contribution Rates by Sector

	Number of Employers	Average Rate (%)
Health	253	8.47
Municipal	183	8.55
School Districts	58	8.60
Colleges	23	7.83
Other	157	8.53
Total Employers	674	

BENEFITS

Guaranteed Basic Pension

The basic pension benefit is defined and is based on how many years of pensionable service the member has accrued in the Plan, the member's highest average salary (highest 60 months, not necessarily the last 60 months) and their age at retirement.

The Plan provides entitlement to a pension benefit after two years of contributory service, as well as survivor and disability benefits.

As of December 31, 2009, the Plan provided pensions to 59,817 retired members, an increase of five per cent from the previous year.

The pension represents a valuable asset, as shown by the value of pensions granted in 2009.

New Regular Pensions by Age at Retirement Groups* 1, 3 and 4

Normal retirement age 65 Subdivided by years of service and age at retirement

Years of Service	55	56-59	60-64	≥65	Total
<10 years	57	103	232	115	507
10 to 14	68	104	201	54	427
15 to 19	59	126	276	51	512
20 to 24	38	89	193	34	354
25 to 29	34	89	171	29	323
30 to 34	62	183	85	14	344
35 and up	16	29	30	6	81
Total	334	723	1,188	303	2,548
Average Service	19	20	17	13	18
Average Age at Retirement					60

* All plan members except police officers and firefighters

New Regular pensions, by Age at Retirement Group 2*

Normal retirement age 60 Subdivided by years of service and age at retirement

Years of Service	50	51-54	55-59	≥60	Total
<10 years	-	1	1	1	3
10 to 14	-	1	1	1	3
15 to 19	1	1	2	-	4
20 to 24	-	3	6	1	10
25 to 29	12	49	18	-	79
30 to 34	4	26	46	5	81
35 and up	-	-	14	2	16
Total	17	81	88	10	196
Average Service	28	28	30	27	29
Average Age at Retirement					55

* Police officers and firefighters

Average Value of New Regular Pensions

January 1, 2009 to December 31, 2009

Subdivided by years of service

Years of Service*	Number of New Pensions	Average Annual Salary Base (\$)	Average Annual Pension (\$)	Average Present Value of Pensions (\$)	Total Present Value of Pensions (\$ Millions)
<10 years	510	\$ 51,000	\$ 5,800	\$ 70,000	\$ 35.7
10 to 14	430	53,000	12,400	158,000	67.9
15 to 19	516	53,000	17,800	225,000	116.1
20 to 24	364	58,000	24,000	323,000	117.6
25 to 29	402	63,000	34,000	462,000	185.7
30 to 34	425	66,000	41,600	601,000	255.4
35 and up	97	70,000	45,900	665,000	64.5
Total	2,744	n/a	n/a	n/a	\$843.0
Average	n/a	\$57,000	\$22,600	\$294,000	

* Years of service includes service transferred from other plans

Cost-of-living adjustments (Non-guaranteed)

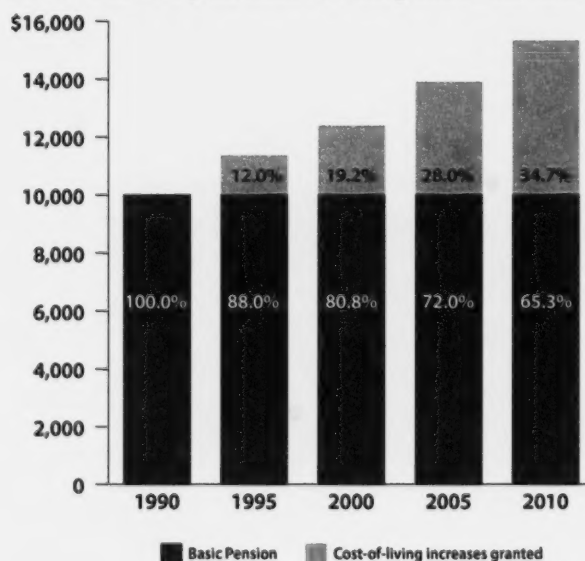
Cost-of-living adjustments are a non-guaranteed supplement to the basic lifetime pension. These adjustments cannot exceed the annual increase in the Consumer Price Index, nor can they exceed the amount of money in the Plan's Inflation Adjustment Account. The Board of Trustees annually considers all relevant factors to determine if a cost-of-living adjustment will be granted.

On January 1, 2009, retired members received a full Consumer Price Index (measured from September to September of the preceding year) increase of 3.4 per cent. On January 1, 2010, retired members did not receive a cost-of-living adjustment because the CPI was below zero. The Board monitors the Plan's ability to grant any future indexing. (See Note 7b to the Financial Statements.) Once granted, the cost-of-living adjustment becomes part of the basic pension.

Over time, cost-of-living adjustments can make up a significant portion of a basic pension. The example to the right illustrates how cost-of-living adjustments have affected pensions over the past 20 years.

Plan benefits are defined by the Plan Rules made under the authority of the Joint Trust Agreement.

Basic Pensions plus Cost-of-living Increases Granted

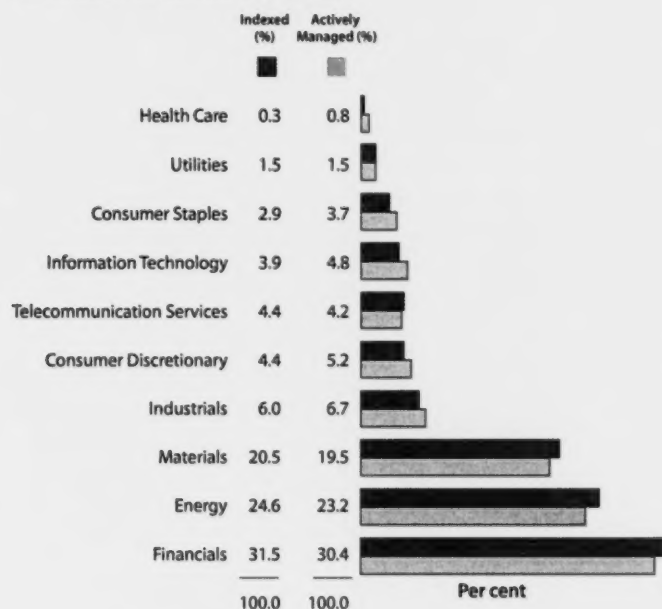


INVESTMENTS

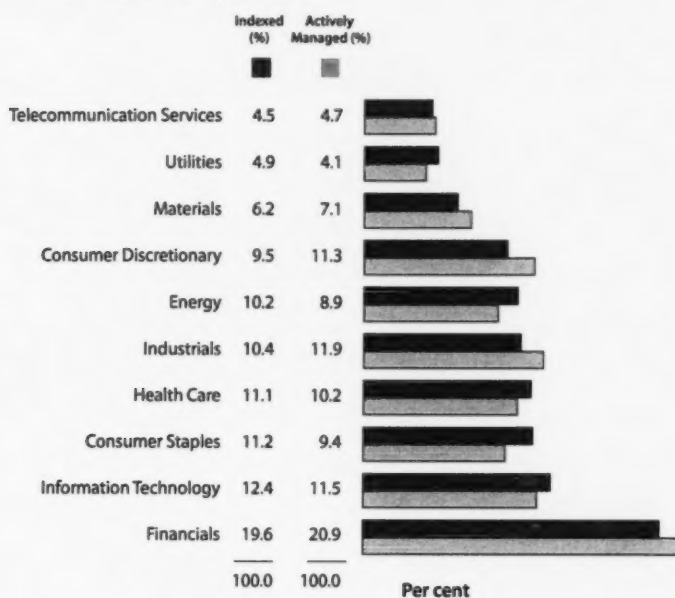
The Board monitors the financial health of the Plan. bcIMC makes day-to-day investment decisions within the strategic asset allocation set by the Board. The goal is to achieve consistent and steady performance over the long term by following sound investment principles, including:

- **diversification:** the fund holds fixed income and equity investments that offer consistent and steady performance over the long term;
- **due diligence:** investment managers assess investment opportunities to ensure they are well governed and offer an appropriate balance of risk and return;
- **discipline:** the Plan takes a longer-term view to avoid the anxiety of short-term market fluctuations;
- **engagement:** promoting responsible governance and management of the companies we invest in.

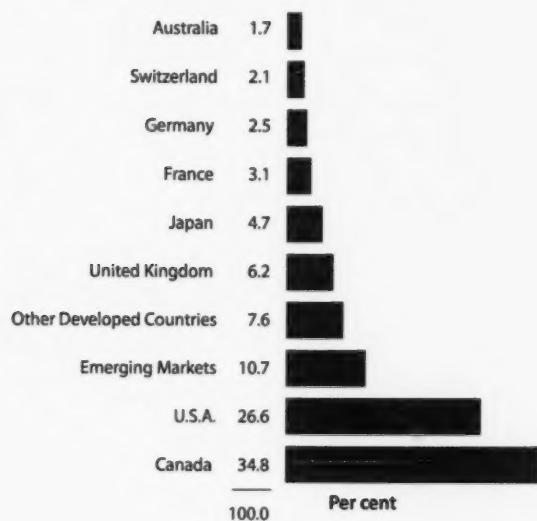
Canadian Equities, by Sector



Global Equities, by Sector



International Equities, by Country



FINANCIAL STATEMENTS

PENSION CORPORATION

TEN YEARS - MANY HAPPY RETIREMENTS

MUNICIPAL PENSION PLAN

ADMINISTRATIVE AGENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Executive Offices

Mailing Address:
PO Box 9460
Victoria BC
V8W 9V8

Location:
2995 Jutland Road
Victoria BC
V8T 5J9

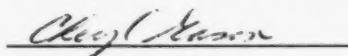
Phone:
250 387-8201
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Fax:
250 953-0429

The financial statements of the Municipal Pension Plan (Plan) were prepared by the British Columbia Pension Corporation (Corporation), the administrative agent for the Municipal Pension Board of Trustees (Board) for the Plan. The Board is responsible for having annual financial statements prepared in accordance with Canadian generally accepted accounting principles. The Corporation prepares the financial statements on the Board's behalf and is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Municipal Pension Plan Annual Report conforms to these financial statements.

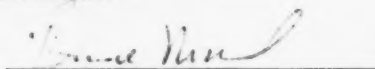
In discharging its responsibility for the integrity and fairness of the financial statements, the Corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Ltd. has been appointed the independent consulting actuary to the Plan by the Board. The role of the actuary is to complete an actuarial valuation of the Plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The firm of PricewaterhouseCoopers LLP has been appointed the independent auditor to the Plan by the Board. The role of the auditor is to perform an independent audit of the financial statements of the Plan in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the Auditors' Report attached to these financial statements.



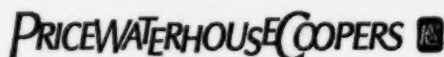
CHERYL EASON, CGA
Vice President, Financial and Plan
Board Services
British Columbia Pension Corporation



BRUCE NICOL, CA
Director, Pension Plan and
Corporate Financial Services
British Columbia Pension Corporation

May 13, 2010

Financial Statements



PricewaterhouseCoopers LLP
Chartered Accountants
PricewaterhouseCoopers Place
250 Howe Street, Suite 700
Vancouver, British Columbia
Canada V6C 3S7
Telephone +1 604 806 7000
Facsimile +1 604 806 7806

May 13, 2010

Auditors' Report

To the Members of the
Municipal Pension Plan

We have audited the statement of net assets available for benefits of the **Municipal Pension Plan** as at December 31, 2009 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the board of trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2009 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate legal entity.

Financial Statements

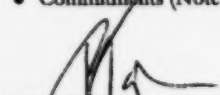



MUNICIPAL PENSION PLAN STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (\$ Thousands)

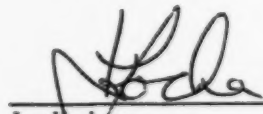
As at December 31	2009	2008
ASSETS		
Investments at fair value (Note 3)	\$ 24,444,637	\$ 21,971,042
Receivables		
Members' contributions	23,139	17,112
Employers' contributions	24,473	18,153
Accrued investment income	2,856	2,950
Due from sale of investments	24,470	102,332
	<u>74,938</u>	<u>140,547</u>
Prepaid expenses	7,100	5,427
Cash	8,771	2,232
Total Assets	24,535,446	22,119,248
LIABILITIES		
Payable for purchase of investments	24,470	123,186
Accounts payable and accrued expenses	21,227	23,276
Total Liabilities	45,697	146,462
NET ASSETS AVAILABLE FOR BENEFITS	\$ 24,489,749	\$ 21,972,786

All accompanying notes are an integral part of these financial statements including:

- Actuarial Valuation of the Basic Account for Funding Purposes (Note 7)
- Actuarial Valuation of the Basic Account for Accounting Purposes (Note 8)
- Commitments (Note 11)


Richard Taylor
Chair,
Municipal Pension Board of Trustees


Brendan Dick
Trustee,
Municipal Pension Board of Trustees


Lyn Kocher
Trustee,
Municipal Pension Board of Trustees

Financial Statements



MUNICIPAL PENSION PLAN STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS (\$ Thousands)

For the year ended December 31	Basic Account	Retirement Annuity Account	Inflation Adjustment Account	Supplemental Benefits Account	2009	Totals 2008
INCREASE IN ASSETS						
Investment income (loss) (Note 4)	\$ 1,999,542	\$ 32,209	\$ 363,953	\$ -	\$ 2,395,704	\$ (3,091,956)
Contributions (Note 5)						
Members'	479,263	10,060	76,322	2,477	568,122	513,165
Employers'	549,187	12,295	38,956	55,742	656,180	595,510
	1,028,450	22,355	115,278	58,219	1,224,302	1,108,675
Transfers from other plans	15,311	-	4,893	-	20,204	19,051
Total Increase (Decrease) in Assets	3,043,303	54,564	484,124	58,219	3,640,210	(1,964,230)
DECREASE IN ASSETS						
Pension benefits	754,252	-	-	2,322	756,574	702,432
Indexing supplements	152,567	-	-	207	152,774	131,331
	906,819	-	-	2,529	909,348	833,763
Termination and refund benefits	47,887	17,742	24,542	716	90,887	91,629
Transfers to other plans	13,010	16	4,489	-	17,515	18,837
Retired member group benefits (Note 10)	-	-	-	53,720	53,720	48,009
Investment and administration costs (Note 9)	46,176	-	4,347	1,254	51,777	49,467
Total Decrease in Assets	1,013,892	17,758	33,378	58,219	1,123,247	1,041,705
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS	2,029,411	36,806	450,746	-	2,516,963	(3,005,935)
Account transfers (Note 6)	275,807	(15,739)	(260,068)	-	-	-
INCREASE (DECREASE) IN NET ASSETS	2,305,218	21,067	190,678	-	2,516,963	(3,005,935)
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	18,058,554	285,767	3,628,465	-	21,972,786	24,978,721
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	\$ 20,363,772	\$ 306,834	\$ 3,819,143	\$ -	\$ 24,489,749	\$ 21,972,786

Supplemental Benefits Account (Note 10)

Financial Statements

MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN

The Municipal Pension Plan (Plan) is a jointly trustee pension plan governed by a Joint Trust Agreement (Agreement). Joint trusteeship was established on April 5, 2001. The partners to the Agreement are the Municipal Employees' Pension Committee, as the member partner, and the provincial government of British Columbia and the Union of British Columbia Municipalities, as the employer partners (Partners). The Agreement describes the composition, appointment, powers, functions and duties of the Municipal Pension Board of Trustees (Board) and provides the authority for the Board to make Plan rules. The following brief description of the Plan is provided for general information only. For more information please refer to the Agreement and the Plan rules.

a) General

Membership in the Plan is open to all eligible employees of a municipality, school district, college, health service organization, police and fire fighters, and many other eligible employers as designated by the Board.

b) Roles and Responsibilities

Partners

The Partners are responsible for directing amendments to the Plan, if certain conditions are met, and for resolving trustee disputes. The Partners and appointing authorities appoint sixteen trustees and sixteen alternate trustees representing Plan members and Plan employers.

Board of Trustees

The Board is fully responsible for the management of the Plan, including investment of the assets and administration of the Plan. The Board may amend the Plan rules as long as changes can be funded by pension fund surpluses or are cost-neutral to the Plan (subject to transitional funding provisions in Note 7a). Unless required to ensure compliance with regulatory enactments applicable to the Plan, Plan rule changes that result in contribution rate changes, or cause or increase an unfunded liability, can only be initiated by the Partners. The Chair and Vice Chair are appointed by the other trustees.

British Columbia Pension Corporation (Pension Corporation)

The Pension Corporation provides benefit administration services as an agent of the Board.

British Columbia Investment Management Corporation (bcIMC)

bcIMC provides investment management services as an agent of the Board.

Financial Statements

MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN (continued)

c) Contributions

Basic Account

Members contributed to the Basic Account 5.99% of salaries up to and including the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) (\$46,300 in 2009) and 7.49% of salaries over the YMPE, less amounts allocated to the Supplemental Benefits Account (Notes 5 and 10).

Employers contributed to the Basic Account at varying rates, depending on the mix of employees in the group rate classifications specified by the Plan, less amounts allocated to the Supplemental Benefits Account (Notes 5 and 10).

Inflation Adjustment Account

Members contributed 1% of salaries to the Inflation Adjustment Account (IAA). Employers contributed 1% of salaries to the IAA, less amounts allocated to the Supplemental Benefits Account (Notes 5 and 10).

Retirement Annuity Account

Some employers have special agreements with members by which additional contributions are made to increase members' pension benefits. These contributions are credited to the Retirement Annuity Account. Depending on benefit eligibility the accumulated monies at retirement are used to fund the purchase of a pension (Note 6) or are paid out as a lump sum benefit.

d) Pension Benefits

All members with two years of contributory service are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65 (age 60 for certain groups);
- at age 60, with at least 2 years contributory service (age 55 for certain groups); or
- at age 55 or older, with age plus years of service totaling 90 or more (age 50 or older and age plus service equaling 80 or more for certain groups).

Other retiring members have a reduction formula applied to their pensions.

The defined basic plan benefit is integrated with the Canada Pension Plan (CPP). As a result, the Plan provides an unreduced benefit of 1.3% of pensionable earnings up to the YMPE and 2% of pensionable earnings over the YMPE for each year of pensionable service (to a maximum of 35 years). Pensionable earnings are based on the member's five-year Highest Average Salary (HAS).

Financial Statements

MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN (continued)

d) Pension Benefits (continued)

The Plan also provides a bridge benefit payable to age 65 (or the date of death, if earlier). The bridge benefit is 0.7% of the lesser of YMPE or the HAS for each year of pensionable service.

Future cost-of-living adjustments are not guaranteed. These adjustments are granted at the discretion of the Board and may not exceed the annual increase in the Canada Consumer Price Index (CPI) as at the previous September 30, subject to the availability of funds in the IAA (Notes 6 and 7b). Any cost-of-living adjustment the Board grants is applied in January. The Board annually considers relevant factors to determine if an adjustment will be granted.

At January 1, 2009, retired members received a full CPI increase of 3.4% (2008: 2.5%). There is no indexing for retired members for 2010 as the annual change in CPI as at September 30, 2009 was -0.9%.

e) Termination and Portability Benefits

A terminating member, who is eligible for a pension but has not reached the earliest retirement age, may choose:

- a deferred pension; or,
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in registered retirement savings plan or similar tax-sheltered plan.

A terminating member may also choose to leave monies on deposit in anticipation of future re-employment, or if under age 60 with less than two years of contributory service (age 55 for certain groups), may also choose a refund of contributions with interest.

Termination benefits cannot be accessed until one year from the date a terminating member stops contributing.

Where there are portability arrangements between the Plan and other pension plans, members may be able to transfer certain pension rights.

f) Other Benefits

Disability and survivor benefits are also available under the Plan. Supplemental benefits (Note 10) may also be funded from the Supplemental Benefits Account. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefits.

Financial Statements

MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN (continued)

g) Income Taxes

The Plan is a Registered Pension Plan (RPP) as defined in the Income Tax Act (Canada), except for any supplemental benefits (Note 10) which are funded in addition to the RPP. The Plan is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the Plan as a separate financial reporting entity, independent of the Plan's contributing employers and members, and independent of any associated retired member group benefit plans. The Statement of Net Assets Available for Benefits shows the assets under control of the Board. It does not purport to show whether these assets are adequate to meet the obligations of the Plan. The actuarial valuation of the basic account for funding purposes is included in Note 7.

b) Investments

Investments are stated at fair value and consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly based on the value of the underlying assets. Where public market prices or quotations are not available, fair values are derived using valuation methods such as discounted cash flows, earning multiples, appraisals, prevailing market rates for instruments with similar characteristics and other pricing models, as appropriate. The value of derivative contracts is included in the fair value of pooled investment portfolios.

Investment purchases and sales are recorded on the trade date (the date upon which the substantial risks and rewards of ownership have been transferred).

c) Investment Income

Income from investments is recorded on the accrual basis and represents pooled investment portfolio income attributable to the Plan as a unit holder and income from directly held investments. The current period change in fair value includes realized and unrealized gains and losses which are included in investment income.

Within the pools, dividends are accrued on the ex-dividend date. Income received and paid from derivative contracts is recognized on the accrual basis. Gains and losses on derivative contracts are recognized concurrently with changes in their fair values.

The investment pools are denominated in Canadian dollars with all foreign denominated balances and transactions within pools translated into Canadian dollars at the relevant foreign exchange rate.

Financial Statements

MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of increases and decreases in assets during the period. Significant areas requiring the use of management estimates relate to the valuation of investments and the estimate of the actuarial position of the Basic Account. Actual results could differ from those estimates.

e) Change in Accounting Policy

In June 2009, the Canadian Accounting Standards Board (AcSB) amended Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, Financial Instruments – Disclosures, to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurements. Each level within the hierarchy is based on the transparency of the inputs used to measure the fair values of financial instrument assets and liabilities. This standard, which was adopted effective January 1, 2009, impacted the disclosure the Plan provides (Note 12), but did not affect the Plan's Statement of Net Assets Available for Benefits or the Statement of Changes in Net Assets Available for Benefits.

f) Recent Accounting Pronouncements

In March 2009, the AcSB proposed that while the use of International Financial Reporting Standards (IFRS) will be required for Canadian publicly accountable enterprises for fiscal years beginning on or after January 1, 2011, that the primary standard applicable to pension plans will continue to be the CICA Handbook Section 4100 – Pension Plans instead of International Accounting Standards 26 - Accounting and Reporting by Retirement Benefit Plans. The AcSB identified certain modifications to CICA Handbook Section 4100 which were incorporated in an exposure draft issued in July 2009 with comments accepted to October 31, 2009.

In February 2010, the AcSB approved Section 4600, Pension Plans, as Part IV of the CICA Handbook with an issuance date of April 2010. The standard, which replaces Section 4100, is effective for annual financial statements for fiscal years beginning on or after January 1, 2011.

The more significant amendments to the new section include the inclusion in a Statement of Financial Position, the pension obligation amount and the inclusion of a new financial statement, the Statement of Changes in Pension Obligations. Currently reporting of pension obligations is done only through financial statement notes 7 and 8, for funding and accounting purposes, respectively.

Financial Statements

MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

3. INVESTMENTS (FAIR VALUE)

	2009			2008
	Basic Account	Inflation Adjustment Account	Total	Total
	(\$ Thousands)			
Short-term	\$ 294,260	\$ 75,477	\$ 369,737	\$ 211,621
Canadian Bonds (Note 11)	5,324,164	935,015	6,259,179	6,388,170
Canadian Equities	3,407,494	627,147	4,034,641	3,149,332
U.S. Equities	2,482,519	457,872	2,940,391	3,025,325
International Equities	3,638,817	651,424	4,290,241	2,760,730
Mortgages	1,070,029	197,392	1,267,421	1,266,980
Real Estate	2,861,106	527,888	3,388,994	3,703,877
Private Placements	1,555,353	338,680	1,894,033	1,465,007
	<u>\$ 20,633,742</u>	<u>\$ 3,810,895</u>	<u>\$ 24,444,637</u>	<u>\$ 21,971,042</u>

Plan investments consist primarily of direct ownership in units of pooled investment portfolios managed by bclMC. Each unit gives its holder a proportionate share in the net assets of the pooled investment fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities. While the purpose of each fund is to invest in a particular type of investment, at any time, given the timing of trading activities, the fund may hold a certain amount of cash, short-term investments, accrued interest income and net accounts receivable or payable from outstanding sales and purchases of investments. The Plan directly holds Canadian real return bonds of \$1.3 billion (2008: \$1.1 billion) and a private placement investment of \$196.9 million (2008: \$21.7 million).

Short-term investments consist of Canadian and U.S. money market securities, such as treasury bills, with terms of 15 months or less and short-term bonds with one to five year terms. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares, and, in the case of international equities, consist mainly of investments in the stock markets of Europe and Asia, as well as key emerging markets. The foreign currency pooled fund engages in the buying and selling of foreign currency financial instruments to enhance returns through the active management of foreign currency exposure.

Short-term investments are valued using current market yields. Canadian bonds are valued based on current market yields and in some cases quoted market prices. Canadian, U.S. and International equities are valued based on quoted market prices.

Financial Statements

MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

3. INVESTMENTS (FAIR VALUE) (continued)

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of diversified Canadian income-producing properties. Private placements consist mainly of Canadian and international long-term debt or equity investments made outside of the structure of public markets (Note 11).

The mortgages are secured by real estate and are valued using current market yields. Real estate investments are valued quarterly by bclMC's external real estate investment managers and, at least once every 10 to 18 months by accredited independent appraisers to establish current market values. Private placements are valued annually based on financial statements from private placement external managers.

Derivative contracts are held indirectly through various pooled investment portfolios to enhance return, manage exposure to interest rate and foreign currency risk, and for asset mix management purposes. Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates, or exchange rates.

A separate investment asset portfolio is not held for Retirement Annuity Account assets. For administrative purposes, the Retirement Annuity Account assets are included in Basic Account Investments (2009: \$306.8 million; 2008: \$285.8 million).

Financial Statements

MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

4. INVESTMENT INCOME

	2009			2008
	Income Allocation	Change In Fair Value	Total	Total
	(\$ Thousands)			
Basic Account				
Short-term	\$ 3,268	\$ (1,365)	\$ 1,903	\$ 28,279
Canadian Bonds	192,235	193,945	386,180	272,138
Canadian Equities	87,056	912,511	999,567	(1,141,894)
U.S. Equities	75,041	177,228	252,269	(749,024)
International Equities	94,163	445,898	540,061	(1,026,627)
Foreign Currency	-	-	-	(755)
Mortgages	58,493	17,402	75,895	69,984
Real Estate	93,814	(405,648)	(311,834)	8,648
Private Placements	23,411	64,299	87,710	(32,460)
	<u>627,481</u>	<u>1,404,270</u>	<u>2,031,751</u>	<u>(2,571,711)</u>
Less Retirement Annuity Account Income Allocation			<u>(32,209)</u>	<u>44,319</u>
			<u>1,999,542</u>	<u>(2,527,392)</u>
Inflation Adjustment Account				
Short-term	546	(103)	443	5,380
Canadian Bonds	36,414	34,013	70,427	51,694
Canadian Equities	16,770	165,947	182,717	(225,612)
U.S. Equities	15,030	33,183	48,213	(147,038)
International Equities	17,926	75,283	93,209	(202,145)
Foreign Currency	-	-	-	(143)
Mortgages	11,380	3,040	14,420	14,450
Real Estate	18,620	(79,121)	(60,501)	1,682
Private Placements	6,608	8,417	15,025	(18,513)
	<u>123,294</u>	<u>240,659</u>	<u>363,953</u>	<u>(520,245)</u>
Total Investment Income (Loss)	<u>\$ 750,775</u>	<u>\$ 1,644,929</u>	<u>\$ 2,395,704</u>	<u>\$ (3,091,956)</u>

Investment income represents realized and unrealized pooled investment portfolio income attributable to the Plan, as a unitholder, and as calculated by bclMC, and income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio. The Retirement Annuity Account is allocated a share of Basic Account investment income based on the annual rate of return of the Basic Account.

Financial Statements

MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

5. CONTRIBUTIONS

	2009				2008	
	Basic Account	Retirement Annuity Account	Inflation Adjustment Account	Supplemental Benefits Account	Total	Total
	(\$ Thousands)					
Members' contributions						
Regular	\$ 477,051	\$ -	\$ 75,965	\$ 2,477	\$ 555,493	\$ 501,652
Special agreements	-	10,060	-	-	10,060	9,120
Arrears	848	-	135	-	983	815
Purchase of service	463	-	77	-	540	560
Leave of absence	741	-	123	-	864	873
Reinstatement	160	-	22	-	182	145
	479,263	10,060	76,322	2,477	568,122	513,165
Employers' contributions						
Regular	546,272	-	38,508	2,022	586,802	531,717
Special agreements	-	12,295	-	-	12,295	11,207
Arrears	1,309	-	181	-	1,490	2,260
Purchase of service	587	-	96	-	683	711
Leave of absence	853	-	115	-	968	1,051
ERIP contributions	166	-	56	-	222	555
Supplemental benefits	-	-	-	53,720	53,720	48,009
	549,187	12,295	38,956	55,742	656,180	595,510
Total Contributions	\$ 1,028,450	\$ 22,355	\$ 115,278	\$ 58,219	\$ 1,224,302	\$ 1,108,675

Member and employer contributions are as defined under the Plan rules.

6. ACCOUNT TRANSFERS

	2009			2008		
	Basic Account	Retirement Annuity Account	Inflation Adjustment Account	Basic Account	Retirement Annuity Account	Inflation Adjustment Account
	(\$ Thousands)					
Present value of current indexing supplements	\$ 258,737	\$ -	\$ (258,737)	\$ 174,313	\$ -	\$ (174,313)
Indexing of deferred pensions	6,053	-	(6,053)	4,298	-	(4,298)
Pensions purchased from Retirement Annuity Account	11,017	(15,739)	4,722	4,615	(7,004)	2,389
	\$ 275,807	\$ (15,739)	\$ (260,068)	\$ 183,226	\$ (7,004)	\$ (176,222)

Financial Statements

MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

6. ACCOUNT TRANSFERS (continued)

The IAA is a separate account that is maintained for funding current and future indexing supplements. The IAA is funded through a portion of ongoing contributions from employers and members (Note 1c), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

All pension payments are made from the Basic Account. Each year, if members' pension payments are adjusted for current indexing, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current indexing supplement.

When a deferred pension begins to be paid, the present value of cost-of-living adjustments during the deferral period is also transferred from the IAA to the Basic Account.

There have been no excess interest transfers to the IAA for the years ended December 31, 2002 through 2009. Excess interest is based on investment income earned on those Basic Account assets required for pensions currently being paid, approximately \$8.6 billion of assets for 2009 (2008: \$7.9 billion). The excess interest rate of return is determined by taking the difference between the actual five-year annualized market rate of return (5.50%) and the rate of return used by the actuary (6.75%) in valuing the Plan's liabilities. The calculated excess interest rate of return for 2009 was -1.25% (2008: -1.45%) resulting in a negative excess interest amount of \$107.8 million (2008: \$114.9 million negative excess interest). The cumulative negative excess interest amount of \$403.4 million will be offset against future positive excess interest amounts before positive excess interest transfers will resume.

Excess Interest

	2009	2008
	(\$ Millions)	
Cumulative negative excess interest, beginning of year	\$ (280.2)	\$ (157.0)
Interest applied to beginning of year amount	(15.4)	(8.3)
Negative excess interest	(107.8)	(114.9)
Cumulative negative excess interest, end of year	\$ (403.4)	\$ (280.2)

A separate Retirement Annuity Account is maintained to record additional contributions by employers and members under special agreements. If a member is entitled to, and chooses to purchase a pension at retirement, monies are transferred from the Retirement Annuity Account to the Basic and the IAA to fund the pension.

Financial Statements

MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES

a) Basic Account

An actuarial valuation of the Plan's assets and pension obligations is performed at least every three years by an independent actuary to determine an appropriate combined employer and member contribution rate to fund the Basic Account. For this purpose, the Plan's actuary values both accrued assets and benefit obligations to the financial statement date, and contributions and benefits for future service. The actuary's calculated contribution rate is based on the entry-age method. This method produces the level rate of the member and employer contributions sufficient to provide benefits for the average future new entrants to the Plan.

The Basic Account is the account from which the defined basic benefits of the Plan are paid. It is also the account from which any indexing that has been granted to retired members is paid. Future indexing benefits are not guaranteed within the Plan provisions and are granted to retired members at the discretion of the Board, subject to the limits in the Plan rules. As indexing is granted, the Basic Account receives from the IAA the present value funding necessary for the indexing granted. Therefore, accrued basic pension benefits for valuation purposes include the liability for all indexing granted to the date of the valuation, but not for as yet unknown future indexing.

The latest full actuarial valuation for funding purposes was prepared as at December 31, 2006 by Eckler Ltd. The results were as follows:

As at December 31	2006	2003
	(\$ Millions)	
Net assets available for basic pension benefits	\$ 19,401	\$ 13,227
Five year market value smoothing adjustment	(1,940)	465
Smoothed assets for basic pension benefits	17,461	13,692
Value of future contributions at current rate	8,887	6,832
Net actuarial assets for basic pension benefits	26,348	20,524
Liability for basic pension benefits	25,910	21,313
Actuarial surplus/(unfunded actuarial liability)	\$ 438	\$ (789)

The following long-term actuarial assumptions were used:

- annual investment return 6.75% (2003: 7.00%)
- annual salary escalation rate 4.00% (2003: 4.50%)

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MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (continued)

a) Basic Account (continued)

The next full actuarial valuation will be as at December 31, 2009, for inclusion in the December 31, 2010 financial statements.

The Agreement specifies a transitional period during which surplus assets or actuarial gains must be used to achieve the following objectives, in order of priority:

- Eliminating any unfunded liability
- Rebalancing member and employer contribution rates and providing specified benefit improvements when sufficient surplus assets allow simultaneous implementation
- 50% of any additional surplus assets must be transferred to a Contribution Rate Stabilization Reserve, and 50% must be transferred to the IAA, to an aggregate total of one billion dollars. The Contribution Rate Stabilization Reserve will be shared on an equal (50/50) basis in order to maintain or reduce future member and employer contribution rates.

After these transitional objectives have been achieved, the agreement describes the manners in which the Board can elect to apply surplus assets so as to achieve over time an equitable sharing of the benefits of the surplus assets between members and employers.

The Agreement describes that if at any time, an actuarial valuation indicates that increased basic contribution rates are required to fully fund the Plan on a going-concern basis, the increase must be shared equally by members and employers.

b) Inflation Adjustment Account (IAA)

No unfunded liability exists for the IAA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account. As indexing is granted to retired members, full funding for that granted indexing, on a net present value basis, is transferred from the IAA to the Basic Account, from which the pensions are paid. There is no minimum level of indexing required to be paid under the Plan rules, nor is there any Plan provision to fund the IAA to any minimum level of future potential indexing.

The Board monitors the performance of the IAA and, at least annually, reviews a sensitivity analysis of the projected impact on the IAA of possible differing future economic trends. Such factors include inflation rates, real wage growth rates, real investment rates of return and group health benefits costs. This sensitivity analysis assists the Board to identify scenarios, some years in advance of their possible occurrence, when the IAA assets may cease to grow and when the Plan may not be able to grant full indexing of benefits.

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MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES

An actuarial valuation is performed at least every three years. Its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the Plan as described in Note 7a. As part of the actuarial valuation, the actuary also calculates values, for accounting purposes, of the Basic Account assets as at, and pension liabilities accrued to, the financial statement date. For this purpose, contributions and benefits for future service are not included, in contrast to their inclusion in the valuation for funding purposes in Note 7a.

The latest full actuarial valuation for accounting purposes was prepared as at December 31, 2006, by Eckler Ltd. This valuation disclosed an actuarial surplus for basic pension benefits of \$217 million (2003: \$29 million Unfunded actuarial liability).

The next full actuarial valuation will be at December 31, 2009 for inclusion in the December 31, 2010 financial statements.

The liability for accrued basic pension benefits at the valuation date is determined using the projected benefit method prorated on service. Net assets are valued using five-year market value smoothing. For accounting purposes, an estimate of the actuarial position between valuations is required. This estimate, called an extrapolation, has been made to December 31, 2009, using the following long-term actuarial assumptions:

- annual investment return 6.75%
- annual salary escalation rate 4.00%

On that basis, the extrapolated value of the surplus at December 31 is as follows:

	2009	2008
Extrapolated Actuarial Liability for Accrued Basic Pension Benefits	(\$ Millions)	
Extrapolated actuarial liability, beginning of year	\$ 19,898	\$ 18,486
Account transfers	276	183
Current period benefit costs	995	899
Benefits	(1,011)	(929)
Interest accrued on liabilities	1,361	1,259
Extrapolated actuarial liability, end of year	21,519	19,898
Extrapolated Actuarial Assets Available for Basic Pension Benefits		
Fair value of Basic Account net assets available for benefits	20,364	18,059
Fair value changes not reflected in extrapolated assets	1,631	2,218
Extrapolated actuarial assets, end of year	21,995	20,277
Extrapolated Actuarial Surplus	\$ 476	\$ 379

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MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

Extrapolations may not be reliable indicators of the next valuation results nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long-term assumptions used in the extrapolation.

9. INVESTMENT AND ADMINISTRATION COSTS

	2009	2008
	(\$ Thousands)	
Investment management	\$ 27,947	\$ 27,961
Benefit administration	22,120	19,764
Board remuneration and expenses	449	459
Board secretariat costs	482	392
Other professional services	779	891
	<u>\$ 51,777</u>	<u>\$ 49,467</u>

bclMC and the Pension Corporation are related parties to the Plan. The Board appoints members to each of the respective corporate boards.

Costs for investment management services charged by bclMC include costs for recovery of its internal and external investment management fees except those external management fees related to corporations wholly owned by investment pooled funds.

Investment management costs of \$10.3 million (2008: \$13.0 million) representing the external management costs incurred by wholly owned corporations of the investment pooled funds are not included in the above amount. External management costs incurred by wholly-owned corporations are netted against their reported investment income.

Benefit administration costs represent amounts charged to recover benefit administration costs incurred by the Pension Corporation. Included in accounts payable is \$3.7 million (2008: \$2.8 million) due to the Pension Corporation for these costs.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

Board remuneration and expenses represent amounts for trustee compensation and direct expenses.

Board secretariat costs represent amounts for staffing and other costs associated with Board support.

Other professional services include actuarial, insurance, audit and legal fees incurred directly by the Plan.

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MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

10. SUPPLEMENTAL BENEFITS

The Supplemental Benefits Account is the account through which certain supplemental benefits are funded. For example, pension benefits which exceed the Income Tax Act (Canada) limits for registered pension plans are paid through this account. Certain group benefit coverage may also be provided for retired members through the account. The availability, type and level of retired member group benefit coverage are contingent upon the availability of funding for such benefits.

To the extent dental and extended health benefits are funded through the Supplemental Benefits Account, they are funded from current contributions that would otherwise be employer inflation contributions and should not exceed 0.8% of pensionable salaries. Currently the 0.8% maximum represents approximately 80% of contributions that would otherwise be employer inflation contributions. To the extent medical service plan premiums are funded through the Supplemental Benefits Account, they are funded from current contributions that would otherwise be employer basic contributions. Retired member group benefits costs (shown on the Statement of Changes in Net Assets Available for Benefits) represent group benefit costs paid by the Plan less any premiums paid by retired members.

11. COMMITMENTS

The Plan participates in private placement and international real estate pools managed by bclMC. As at December 31, 2009, the Plan's share of commitments (over the next several years) for future investment contracts in these pools is approximately \$1,058.5 million (2008: \$999.0 million).

bclMC established a collateral account for the Plan that is pledged as security for a future investment opportunity. As at December 31, 2009, \$10.9 million (2008: \$34.5 million of which \$26.7 million in collateral accounts were closed in 2009) of Basic Account Canadian Bonds are being held as collateral for a line of credit.

12. FINANCIAL INSTRUMENTS

The Plan's investments are recorded at fair value. Other financial instruments consist of cash, accounts receivable, accounts payable and accrued expenses. The fair values of these financial instruments approximate their carrying values.

The Board approves the long-term asset mix policy for investment assets through its Statement of Investment Policies and Procedures (SIPP) and oversees the management of these assets through the Board's investment management agent, bclMC. The SIPP requires diversification of investments within asset classes, sets guidelines on investment categories and limits the exposure to individual investments and counterparties.

Significant risks are regularly monitored and managed by bclMC and actions are taken when appropriate, according to the Plan's SIPP. In addition, these risks are reviewed periodically with the Board.

Financial Statements

MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

12. FINANCIAL INSTRUMENTS (continued)

a) Fair Value

In June 2009, the AcSB amended the CICA Handbook Section 3862, Financial Instruments – Disclosures, to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurements. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities. The three levels of the fair value hierarchy are:

- Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following table details the classification of the Plan's financial instruments within the fair value hierarchy as at December 31, 2009:

	Level 1	Level 2	Level 3	Total
	(\$ Millions)			
Short-term	\$ -	\$ 370	\$ -	\$ 370
Canadian Bonds	(10)	6,272	-	6,262
Canadian Equities	3,995	40	-	4,035
U.S. Equities	2,916	24	-	2,940
International Equities	4,283	7	-	4,290
Mortgages	6	1,226	35	1,267
Real Estate	18	41	3,330	3,389
Private Placement	2	46	1,846	1,894
	<u>\$ 11,210</u>	<u>\$ 8,026</u>	<u>\$ 5,211</u>	<u>\$ 24,447</u>

Included in the above table are investments, accrued investment income and amounts due from the sale of and payable for the purchase of investments.

There were no significant transfers of investments between Level 1 and Level 2.

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MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

12. FINANCIAL INSTRUMENTS (continued)

a) Fair Value (continued)

The following table reconciles the Plan's Level 3 fair value measurements from December 31, 2008 to December 31, 2009:

	(\$ Millions)
Balance at December 31, 2008	\$ 5,115
Net loss included in investment income	(394)
Purchases	994
Settlements	(614)
Effect of change in share of unit holdings	110
Balance at December 31, 2009	<u>\$ 5,211</u>

Losses on Level 3 instruments, held as at December 31, 2009, of \$403 million, are presented in current period change in fair value in Note 4. The effect of change in share of unit holdings reflects the impact on the plan's proportionate holdings within the pool, resulting from other pool participants either entering or exiting the pool.

The mortgages are secured by real estate and are valued using current market yields. Real estate investments are valued quarterly by bcIMC's external real estate investment managers and, at least once every 10 to 18 months by accredited independent appraisers to establish current market values. Private placements are valued annually based on financial statements from private placement external managers. Investment assumptions used in determining the fair value of real estate investments and private placements are appropriate for the nature of the investment and the market in which the investment is located.

Level 3 investments are primarily comprised of investments in real estate and private placements. The potential impact of possible alternative assumptions on the fair value of each investment is not determinable, due to the nature of the external real estate investment manager valuations or independent appraisals for each real estate investment and the use of other valuation techniques for private placements. The fair values are determined using the most appropriate appraisal method for each real estate investment and the most appropriate valuation technique for private placements.

b) Market Risk

Market risk is the risk that the fair values of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. Market risk is comprised of foreign currency risk, interest rate risk, and price risk. Market risk is managed through asset class diversification, diversification within each asset class and credit quality constraints on investments.

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MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

12. FINANCIAL INSTRUMENTS (continued)

b) Market Risk (continued)

i) Foreign Currency Risk

Foreign currency exposure arises from foreign currency denominated investments held indirectly through pooled investment portfolios. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of investments. bclMC has currency exposure management programs under which it hedges foreign currency exposure through the use of foreign currency forward contracts. A foreign currency forward contract is a contractual obligation either to buy or sell a specified amount of foreign currency at a predetermined future date and exchange rate. The Plan's total direct and indirect currency exposure, the impact of hedging and trading activities and its net exposure as at December 31 are as follows:

(Millions Cdn dollar equivalent)	2009				2008			
	Fair Value By Currency				Fair Value By Currency			
	Total Exposure	Hedging	Net Exposure	% of Total	Total Exposure	Hedging	Net Exposure	% of Total
United States	3,957	669	3,288	46%	3,954	159	3,795	61%
Euro Countries	1,353	134	1,219	17%	1,209	1	1,208	19%
Other Pacific	1,086	8	1,078	15%	405	-	405	6%
United Kingdom	728	16	712	10%	393	333	60	1%
Other Europe	397	2	395	5%	312	-	312	5%
Japan	420	97	323	4%	469	1	468	6%
Emerging markets	194	-	194	3%	3	-	3	0%
	\$ 8,135	\$ 926	\$ 7,209	100%	\$ 6,745	\$ 494	\$ 6,251	100%

In addition to the investments in foreign currencies the Plan held \$16.3 billion (2008: \$15.2 billion) of investments denominated in Canadian dollars. The net foreign currency exposure represents 29% (2008: 28%) of the Plan's total investments.

Included in these totals, as at December 31, 2009 is accrued investment income (2008: net accounts payable for outstanding sales and purchases of investments and accrued investment income.)

As at December 31, 2009, if the Canadian dollar strengthened or weakened by 10% in relation to all foreign currencies, with all other factors remaining constant, net assets would have decreased or increased by approximately \$720.9 million (2008: \$625.1 million).

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MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

12. FINANCIAL INSTRUMENTS (continued)

b) Market Risk (continued)

ii) Interest Rate Risk

Interest rate risk is the risk that the Plan's investments will change in fair value due to future fluctuations in market interest rates. The risk arises primarily on interest-bearing financial instruments held in short-term investments, fixed income investment pools (bonds and mortgages) and Canadian real return bonds held directly by the Plan. Actuarial liabilities are also affected by changes in long-term market interest rates. The risk of adverse changes in interest rates is reduced within the underlying investment pools through management of duration in exposure to fixed income securities, the use of floating rate notes and general diversification by security type and geographic region.

The terms to contractual maturity of interest-bearing financial instruments (including accrued interest receivable), as at December 31, are as follows:

Interest-bearing financial instruments (\$ Millions)	Terms to maturity				2009		2008	
	Within 1 Year	1 to 5 Years	>5 to 10 Years	Over 10 Years	Effective Yield to Maturity	Total	Effective Yield to Maturity	Total
Short-term	\$ 218	\$ 152	\$ -	\$ -	\$ 370	0.49%	\$ 211	1.20%
Bonds	133	1,782	1,744	1,294	4,953	3.31%	5,281	4.15%
Real return bonds*	-	-	-	1,309	1,309	1.52%	1,111	2.33%
Mortgages	237	631	381	18	1,267	4.73%	1,267	4.57%
	\$ 588	\$ 2,565	\$ 2,125	\$ 2,621	\$ 7,899		\$ 7,870	

* Effective yield to maturity percentages are only the real return, inflation has not been considered

As at December 31, 2009, if the prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables remaining constant, net assets would have decreased or increased by approximately \$545.7 million (2008: \$580.8 million).

iii) Price Risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk) whether those changes are caused by factors specific to the individual financial instrument, its issuer, or factors affecting all similar financial instruments traded in the market. The Plan's investments are subject to price risk through its equity investments and private market investments. bcIMC moderates this risk by diversifying its investments across asset classes based on criteria established in the SIPP. As at December 31, 2009, if equity prices (excluding private market investments and the non-equity balances in the Canadian, US and International equity funds) increased or decreased by 10% with all other factors remaining constant, net assets would have increased or decreased by approximately \$1,113.4 million (2008: \$879.2 million).

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MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

12. FINANCIAL INSTRUMENTS (continued)

c) Credit Risk

Credit risk is the risk that a loss may occur from the failure of another party to perform according to the terms of a contract. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the market value of the debtors' obligations. Credit risk is managed by establishing specific investment criteria, such as minimum credit ratings for investees and counterparties and maximum concentration limits with given counterparties.

Rated interest-bearing financial instruments

Credit Rating*	2009		2008	
	(\$ Millions)		(\$ Millions)	
AAA/AA	\$ 4,676	73%	\$ 2,518	40%
A	1,450	23%	3,728	59%
BBB	292	4%	65	1%
	\$ 6,418	100%	\$ 6,311	100%

* Standard & Poor's (2008: Dominion Bond Rating Service)

The ratings used are defined by the Standard & Poor's rating agency. Obligations rated AAA/AA have the highest rating assigned. The lenders capacity to meet its financial commitment on the obligation is very strong. Bonds assigned an A or BBB rating are weaker with the BBB rating denoting an obligation with adequate protection parameters.

Credit exposure also exists for investments in mortgages of \$1,267.4 million (2008: \$1,267.0 million), short-term investments of \$213.7 million (2008: \$179.5 million) and \$25 thousand (2008: \$112.5 million) of other assets held in the bond fund. Total exposure in the short-term investments, bond and mortgage funds is \$7,899.2 million (2008: \$7,869.7 million).

d) Liquidity Risk

Liquidity risk is the risk of not being able to meet the Plan's cash requirements in a timely and cost effective manner. The Plan forecasts its cash requirements over the near and long term to determine whether sufficient funds are available. The Plan's primary source of liquidity is income generated from the Plan's investments and employer and employee contributions. bclMC primarily invests in securities that are traded in active markets and can be readily sold. Accounts payable of \$21.2 million (2008: \$23.3 million) and payable for purchase of investments of \$24.5 million (2008: \$123.2 million) are generally due within one month.

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MUNICIPAL PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

13. CAPITAL DISCLOSURES

The Plan's capital is comprised of its net assets available for benefits. The Plan's objective for managing capital, including member and employer contributions, is to ensure that the assets of the Plan are invested prudently and effectively to meet the future obligations of the Plan. The Statement of Net Assets Available for Benefits shows the assets under control of the Board. The actuarial valuation of the basic account for funding purposes is included in Note 7.

The Plan is established through the B.C. Public Sector Pension Plans Act and a Joint Trust Agreement made effective April 5, 2001. The Agreement describes the composition, appointment, power, functions and duties of the Board, and provides the authority for the Board to make Plan rules. The Board is responsible for the governance of the Plan, including investment of the assets and administration of the Plan. The Plan is registered under the B.C. Pension Benefits Standards Act, and is a registered pension plan as that term is defined in the Income Tax Act. Investment management services for the Plan are provided, as agent, by bcIMC. Investments are based on an asset mix consistent with the Board approved SIPP. The investment performance of the Plan assets is reviewed by the Board on a quarterly basis compared to relevant industry benchmarks. An actuarial valuation, which is used to determine the adequacy of employer and employee funding contribution rates, must be prepared at least once every three years.



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